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New Raid By Tamils Kills 11

Sri Lanka Rebels Attack Fishing Villages in North

The Associated Press

COLOMBO, Sri Lanka — Tamil separatist guerrillas attacked two fishing villages in the predominantly Tamil north of Sri Lanka, killing 11 persons, a government spokesman said Sunday.

The new killings occurred Saturday about 30 miles (48 kilometers) east of the Kent and Dollar farms, two agricultural settlements in Sri Lanka where Sri Lankan officials reported that 148 people were killed in attacks by Tamils and in Tamil battles with police on Friday. Former convicts and their families and prisoners nearing the end of their terms had been settled at the two farms.

Tamils, who represent about 18 percent of Sri Lanka's population, charge they are discriminated against by the Sinhalese majority. The guerrillas are fighting for the establishment of a separate state.

The Sri Lanka government earlier broadcast over national radio that 57 people were killed Saturday in the latest attacks on the fishing villages of Nayaru and Kokkilai. But a government spokesman, Wickrema Weerasooria, said that 11 bodies were found after the latest attacks.

Asked whether the government was trying to play down the number killed to prevent a backlash in the south of the country, Mr. Weerasooria said, "No, definitely not. The bodies have been found and necessary action taken. The original reports were based on what terrified people who fled the villages attacked had told various officials."

He said that the position was not as bad as originally feared.

Mr. Weerasooria had said there had been two serious attacks on civilians in the two villages.

"The security forces have found it difficult to reach the spot as land mines have been placed along the approaches to retard progress," Mr. Weerasooria said.

He also said that eight boats, each presumably carrying six to eight guerrillas from Tamil Nadu state in southern India, had attempted to land close to Mannar on Sri Lanka's northwest coast early in the morning.

"They were shot at from the air and six boats were destroyed. The other two got away," he said.

On Saturday, the national security minister, Lalith W. Athulathmudali, said the Sri Lankan Air Force had repulsed a flotilla of 18 boats heading for the Mannar area. The boats turned back and fled when they were fired at from the air, the minister said.

Officials reported that 10 persons aboard one of the boats were killed.

The government in the capital, Colombo, fearing a communal backlash against Tamils living in majority Sinhalese areas in the south, has urged the Sinhalese not to be provoked by actions aimed at driving government troops out of the north.

The government also said a refugee problem was developing as Sinhalese people from the Tamil-dominated Vavunkya and Mullaitivu districts moved toward the north-central provincial capital of Anuradhapura, a major Sinhalese area, and Parakramapura, north of Anuradhapura, where there is a large population of resident Sinhalese.

The government last week imposed tough emergency measures and increased security in the country's north and east.

The Sri Lankan government has charged that the Tamil guerrillas are being sheltered, trained and armed in the southern Indian state of Tamil Nadu, across the narrow Palk Strait off Sri Lanka's northern coast, in preparation for an invasion. India has strongly denied this.

The Associated Press

Melanesians march to the burial of a separatist who died in a clash in New Caledonia.

Separatists Demand Prisoners' Release As Paris Envoy Goes to New Caledonia

Reuters

NOUMEA, New Caledonia — Melanesians seeking independence from France said Sunday that they would call off a campaign of violent disruption in New Caledonia if the French authorities released all "political prisoners."

On Saturday, France appointed a high commissioner to draw up new plans for self-rule in the territory.

Prime Minister Laurent Fabius, speaking in Paris after an emergency session of the cabinet, said Saturday that Edgard Pisani, a member of the European Commission, had been named to propose and carry out measures concerning "the means under which the right to self-determination will be exercised."

French officials said that Mr. Pisani left for New Caledonia on Sunday, after discussions with Mr. Fabius. He is expected to arrive there on Tuesday.

Mr. Fabius also implied that his government might alter its plans for a referendum on independence in 1989. Interior Minister Pierre Joxe said in a radio interview Sunday that the government was looking toward development, order and dialogue.

Dick Ukeiwé, the leader of a territorial assembly that was elected in New Caledonia two weeks ago, said after talks with President François Mitterrand that he welcomed Mr. Pisani's appointment. He said the situation in New Caledonia was almost catastrophic.

He also said that he would be satisfied only when peace was restored, and that "I cannot negotiate with rebels, outlaws and terrorists."

Mr. Pisani's appointment was announced hours after members of the leading Melanesian separatist party, the Kanak Socialist National Liberation Front, declared an independent state.

They renamed the territory, which France has governed since 1854, Kanaky, or "land of the people."

Jean-Marie Tjibaou, head of the declared Melanesian, or Kanak, government, said Sunday that the rebels were prepared to hold talks. "But on the other hand there are political prisoners," he said.

Thirteen Kanaks have been detained by the French authorities since they stepped up their campaign for independence just before territorial assembly elections on Nov. 18. The militant Kanaks boycotted the elections.

During the campaign, the Kanaks have set up roadblocks and forced the evacuation of many white settlers from rural areas. On Friday, a white farmer and a Kanak were killed in a gunfight.

Mr. Tjibaou also said on French television that his people still recognized French sovereignty over the territory and were open to negotiations.

He added, however, that the militants would go into discussions with their position clear: that they wanted self-determination for the Kanak people alone.

The militant Kanaks have said they may lose a referendum on independence for New Caledonia because they are outnumbered. Kanaks have been reduced to only 43 percent of the population of 145,000, because of an influx of settlers from France and from other Pacific islands.

2 Officers Are Killed In Poland

Solidarity Says Activist Killed, Priests Tortured

By Michael T. Kaufman
New York Times Service

WARSAW — Two senior police officers investigating the killing of the Rev. Jerzy Popieluszko, a pro-Solidarity Roman Catholic priest, have been killed along with their driver in a head-on collision with a truck, according to government officials.

[In another development, the underground Solidarity movement said Sunday that an activist in the outlawed union had been slain and that two Roman Catholic priests had been tortured by unidentified assailants, United Press International reported. One of the priests confirmed the story.

[Meanwhile, Cardinal Jozef Glemp, Poland's Roman Catholic primate, has ordered a radical Warsaw priest banned from speaking at churches in the capital and has issued a denunciation of "preachers who wish to voice their own teaching in their own way," wire services reported.]

Polish reporters were told Friday at the Interior Ministry that Colonel Stanislaw Trafalski, head of a division of the ministry's investigating office, and Major Wieslaw Piatak, a senior investigator, had been killed instantly in the crash.

The crash occurred 80 miles (128 kilometers) south of Warsaw in sunny weather as the men were returning from what the Polish press agency described as an assignment connected with the investigation of the Popieluszko killing. Three Interior Ministry agents have been charged in the killing.

The deaths of the investigators and their driver cast a further shadow over the Popieluszko case, which has shaken the Polish leadership more seriously than any event since the rise of the Solidarity trade union movement.

Last week, General Wojciech Jaruzelski, the Polish leader, told a

(Continued on Page 2, Col. 3)

United Press International

President Hosni Mubarak of Egypt applauded Sunday as King Hussein of Jordan spoke to Egypt's parliament.

Hussein Criticizes Accords

King Denounces Camp David Pact In Egypt Speech

By Judith Miller
New York Times Service

CAIRO — King Hussein of Jordan, in an impassioned speech before the Egyptian parliament, criticized Sunday the Camp David peace accords, the 1978 agreements that led to Egypt's peace treaty with Israel.

President Hosni Mubarak, who addressed the parliament after the Jordanian monarch, did not defend the accords. Instead, he said that Jordan's political rapprochement with Egypt would help the Arabs in "protecting their land from aggression and in liberating what the aggressors have stolen."

Although Hussein frequently has criticized the Camp David peace process, Western and Arab officials appeared surprised by his denunciation of the accords in an Egyptian forum. When the king addressed the Palestine National Council meeting in Amman two weeks ago, he omitted any criticism of the Camp David agreements or the peace process.

Many Middle Eastern diplomats interpreted this as a reflection of the king's desire not to embarrass the Egyptian delegation in Amman to attend the Palestinian conference.

But the monarch, whose speech was broadcast live on national television, said that he had opposed the Camp David accords "from the start."

The U.S.-sponsored Camp David accords were signed in September 1978, by President Anwar Sadat of Egypt and Prime Minister Menachem Begin of Israel. They created the framework for the talks that led to the peace treaty between Egypt and Israel the following year.

The accords provided for talks leading to full autonomy for Palestinians in the Israeli-occupied West Bank of the Jordan River valley and the Gaza Strip. The discussions were to include Egypt, Jordan, and elected representatives from the occupied territories, but they made no mention of the Palestine Liberation Organization.

Sadat was assassinated in October 1981, and Mr. Begin resigned from office in September 1983.

Hussein said Sunday that Jordan had rejected the Camp David framework from the beginning because while it specified that Israeli-held parts of Sinai were to be returned to Egypt, the fate of Israeli-occupied land on the West Bank and the Gaza Strip was not specified. Also, he said, Jordan op-

(Continued on Page 2, Col. 6)

FitzGerald Criticized On Eve of EC Summit

By Axel Krause
International Herald Tribune

DUBLIN — The leadership qualities of Prime Minister Garret FitzGerald of Ireland, who will preside over the European Community summit here Monday and Tuesday, have been questioned by senior officials in other European capitals.

The widespread doubt raises uncertainty over the chances for success of the summit.

Mr. FitzGerald's critics based their comments on his performance since July, when Ireland assumed the rotating presidency of the EC Council of Ministers. Irish officials, including Mr. FitzGerald, dismissed the criticism.

In a recent interview, Mr. FitzGerald emphasized that the Dublin summit could not be compared to the last EC summit, at Fontainebleau, France, in June, when Britain's contribution to the community budget dominated the meeting.

"We faced a definite, single issue then," he said, "whereas now we have far more complex issues." Those issues include the entry of Spain and Portugal into the EC, the proposed strengthening of the community's institutions, and European political cooperation.

The doubts about Mr. FitzGerald as leader of the 10-nation group were raised repeatedly in recent private conversations by senior government officials and ambassadors in Paris, London and Brussels, many of whom were helping their leaders prepare for the summit.

They unanimously praised Mr. FitzGerald's dedication to Europe, and his optimism, intellect, energy and informal style.

But the officials noted that since Ireland assumed the presidency of the EC council, Mr. FitzGerald has proven to be a disappointment, particularly when compared to his predecessor, President François Mitterrand of France.

In contrast, Mr. FitzGerald has appeared to lack clear goals, organization and, above all, personal involvement in directing summit preparations, according to senior officials of several EC member governments and of the European Commission in Brussels.

"Preparations, as we know from our summit at Fontainebleau, are absolutely essential to success," said a French official, "but Dr. FitzGerald has kept a very low profile, and too much modesty can be dangerous."

"This summit is in deep trouble," said a West German diplomat. "Perhaps it is because of Ireland's small size, the complexity of the issues, or the prime minister's preoccupation with other issues these past several months, such as the recent Anglo-Irish summit."

An ambassador to Belgium from a non-EC member government described Mr. FitzGerald's approach as "amorphous."

Foreign Minister Peter Barry of Ireland also was criticized for his handling of preparations and presummit negotiations.

"The foreign minister's role is crucial," said a British diplomat, "but Mr. Barry has given the impression he has not been able to grasp the issues — admittedly horrendously complicated involving things like wine, fruits and fishing fleets."

In Brussels, EC bureaucrats said that detailed summit preparations, led by the current president, are indispensable.

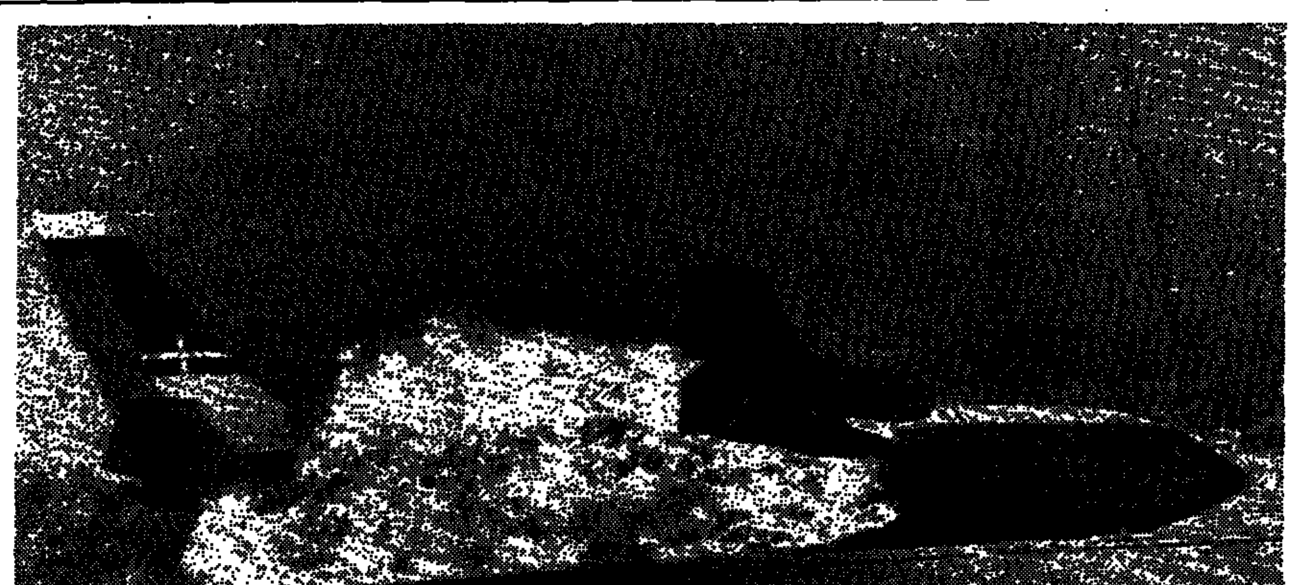
Preparations for the Fontainebleau summit were marked by intense diplomatic negotiations, shuttling by Mr. Mitterrand to EC capitals, and his almost obsessive determination to resolve one key issue — the controversy over Britain's contribution to the EC budget.

Mr. FitzGerald, a former journalist and economics teacher, has been criticized in Ireland as being in the mold of an absent-minded professor. Yet the Irish have firmly rejected criticism of their EC leadership.

One Irish official said Mr. FitzGerald "has been busy indeed on community issues, as have our ministers, but it's not our style to flash it up in lights."

"It has indeed been a very busy

(Continued on Page 2, Col. 1)



The Associated Press

CONTROLLED CRASH — *A pilotless Boeing 720 airliner performed a radio-guided flight and crash at Edwards Air Force Base in California, but an experimental fuel mixture did not prevent the fire. Page 3.*

Labor's Majority Reduced in Australian Elections

By Steve Lohr
New York Times Service

MELBOURNE — The Labor government of Prime Minister Bob Hawke won the Australian parliamentary elections on Saturday, but its margin of victory was narrower than had been expected.

With about 85 percent of the vote counted, Mr. Hawke seemed certain to win by a margin of 14 to 16 seats in an enlarged 148-seat House of Representatives, the lower house.

Pre-election polls had indicated a far stronger showing for the Labor Party, based on Mr. Hawke's personal popularity and the robust performance of the Australian economy during his 21 months in office. Labor's majority, the polls indicated, would increase from a 25-seat margin to more than 40 seats.

In the victory and concession speeches in Melbourne on Saturday night, the roles of winner and loser seemed strangely reversed. Mr. Hawke, the victor, was on the defensive.

"We had hoped to get a bit more icing on the cake," the prime minister, 54, said. "But the clear and overwhelming message is that we won and won by a comfortable margin. There may not be dancing in the streets, but there is still going to be a celebration for us."

Andrew Peacock, 45, the opposition leader and the loser, was ebullient. In the election, Mr. Peacock faced the most popular Australian prime minister in recent history, judging by Mr. Hawke's 67-percent approval rating. Most polls and political analysts had indicated that the opposition coalition would be drubbed and that Mr. Peacock would be replaced as opposition leader.

Accordingly, the voting results were a personal triumph for Mr. Peacock and his Liberal Party, which is conservative.

UPI

Bob Hawke

The election results are not expected to alter the direction of Australian domestic or foreign policy. At home, Mr. Hawke, a former trade union leader, has forged an accord on industrial relations that has yielded noninflationary wage agreements and far fewer strikes. In addition, he is an advocate of free-market incentives for business and restraint in federal spending.

Internationally, Mr. Hawke has backed the U.S. position on most issues, including the dangers of Soviet expansionism. The prime minister advocates nuclear arms reductions and a nuclear-free zone in the South Pacific, but does not favor banning foreign bases or stopping uranium mining in Australia, as some of the country's smaller parties want.

The election results were viewed as something of a personal defeat for Mr. Hawke largely because he so personalized the campaign.

Opponents and political analysts said one result of the elections was that Mr. Hawke was shown to be fallible and that may limit his freedom of action over the next three years, the term of the House of Representatives.

Mr. Hawke said a change in the country's complex voting procedures confused many people and worked to the detriment of the Labor Party.

Under the Australian voting system, the voter must rank all the candidates in order of preference. One result of this is that the results for the Senate, with 40 or more names on a ballot, will not be sorted out until Wednesday or Thursday. Forty-six seats, or slightly more than half of the Senate, were voted on. In the Australian system, the Senate cannot initiate legislation.

To simplify the Senate balloting, each voter was allowed to choose one party and then all the voter's preferences would be ranged according to that party's instructions. But about 7 percent of the voters mistakenly marked their House ballots, which usually have just four to seven names, in the same way as the Senate ballots.

■ Rock Singer's Success

Nuclear disarmament became an important issue in the Senate election, news agencies reported.

It appeared that Peter Garrett, the lead singer of the rock band Midnight Oil, would win a Senate seat for the Nuclear Disarmament Party, whose policy is to ban all nuclear ships from Australian waters, stop the mining and export of Australian uranium and close U.S. bases in the country.

In New South Wales, the party polled nearly 9 percent of the vote, and effectively denied Labor the chance of controlling the new Senate.

For U.K. Crime Fans, Robbery With a Twist

By R.W. Apple Jr.
New York Times Service

LONDON — The British love a good crime story. They loved Arthur Conan Doyle and Dorothy L. Sayers and Agatha Christie, and they loved the Lavender Hill Mob and the Great Train Robbery.

On Friday morning, all the national newspapers had a new one for their readers, the robbery of $360,000 in suburban, law-abiding Surrey, with a lot of fresh twists — the use of a new tool of the trade, a missed opportunity, and a gang that took pity on the needs of some of its victims.

According to police in Surrey, the "stockbroker belt" just south of London, a gang of at least eight thieves took part in the caper Thursday afternoon. They used at least 10 stolen vehicles to grab the money from a security van that belonged to Brinks-Mat Ltd., the same American-owned company that lost about $30 million in gold bullion in November 1983 in the biggest robbery in British history.

The gang staged a spectacular ambush on the M23 expressway, not far from Gatwick Airport, and made what appears to have been a clean getaway.

Keith Portlock, a detective chief superintendent who called the robbery the best-planned raid he had ever come across, said that the gang began by hijacking a truck transporter carrying a mechanical digger at about noon, near Reigate. A little later they hijacked at gunpoint a tow truck at Merstham, not far away. The drivers of both vehicles were put in a van, which was locked and then abandoned.

The hijackers left a bottle of brandy for those they had locked up; it was half-empty when the police found the drivers some hours later.

At about 2:45 P.M., police said, the two stolen vehicles approached the Brinks-Mat security van on the highway. The truck transporter passed the van, then slowed down, and the van pulled out to repass.

At that point the truck transporter veered into the van, forcing it to stop. It could not back up because the tow truck blocked it. So did another vehicle, a red van carrying confederates of the hijackers.

Once all the vehicles had stopped on the busy road, a man jumped from the truck transporter and used the claw on the mechanical digger to rip open the roof of the security van. Terrified, according to Superintendent Portlock, the three unarmed guards inside opened the rear door and tumbled out to a rude reception.

One was pistol-whipped, the superintendent reported, and the other two were punched and kicked. He said that at least three members of the gang had automatic weapons, but that no shots were fired.

The masked robbers scooped up $360,000 in used bank notes from the van, but traffic was building up behind the knot of trucks, which had blocked both lanes of the motorway. The men apparently became nervous and fled, leaving behind $1.2 million more in cash in the van.

Some time later the police found the red escape van in the nearby town of Hooley, and there were unconfirmed reports that passengers at Knockholt railroad station in Kent, southeast of London, saw five men emerge from two cars. They reportedly exchanged bags that may have contained the loot, piled into five other cars and sped away.

INSIDE

Identity Crisis at Le Monde: Its Journalist-Owners Are No Longer on Top of the World

The New York Times

André Laurens, editor-in-chief of Le Monde.

By Joseph Fitchett
International Herald Tribune

PARIS — Le Monde, which has been required reading for the influential and the intellectual in France since it was founded after World War II, was the nation's most prosperous and fastest expanding daily newspaper as recently as 1980.

On Monday, after a three-year tailspin in circulation and advertising, Le Monde's journalists are to vote on a proposal to drastically reform the paper, trying to haul it out of debt while preserving its quality.

With income estimated at 700 million francs ($73.7 million) this year, Le Monde is expected to lose 37.9 million francs, roughly doubling its debt. Advertising, which provides 55 percent of the paper's income, is down, especially the classified ads, which have been hard hit by the recession.

André Laurens, 49, Le Monde's editor and publisher, wants to start streamlining the paper's operations with a 14-percent salary cut for most positions. In addition, he proposes to sell and lease back Le Monde's offices in central Paris, and move some printing away from Paris presses to facsimile printing in the provinces.

His austerity plan, announced last week, triggered a two-day strike by Le Monde employees. Mr. Laurens has said he will to resign if his proposal is not approved Monday.

Many of Le Monde's readers think its problems have institutional and political ramifications that amount to a professional identity crisis.

The paper has, a senior editor said, "typically French complexes, in a particularly acute form, about dealing with money and about negotiating toughly with personnel and unions."

At the core of developments at Le Monde is its system of ownership, whereby the paper belongs to the journalists who produce it — an arrangement designed to protect it from outside pressure by governments or investors.

A built-in majority of 51 percent belongs to the editor and to the journalists association, which is to meet Monday for the vote. The remaining shares belong to an eminent group of outsiders.

The system is considered by some to be part of the problem. Any rejuvenation of Le Monde must be approved by the collective ownership. Reform, in other words, must come from the same people who presided over Le Monde in the flush 1970s, when, press analysts say, its paternalistic management failed to confront trade unions and its journalists allowed the paper to become stodgy.

Symptomatic of its relentlessly pedagogical approach is Le Monde's austere format. A tabloid with dry headlines, it bans news pictures because editors prefer the proverbial thousand words of descriptive prose.

"A paper that tried starting out today with that approach would probably sell only 50,000 copies," said Eudes Delafon, a French media analyst.

Le Monde still has a circulation of 375,000, but it has been dropping steadily from a high of 435,000 three years ago. To attract readers, Le Monde has tried to innovate — with an abortive color magazine that lost 2.4 million francs, photographs in weekend leisure sections, a comic strip, color ads and an airier layout.

Le Monde's revenue squeeze is critical, analysts say, because of the paper's high overhead. The paper has 180 journalists and a nonjournalistic staff of 1,100, most of them earning more than people with similar jobs at other French papers.

The Communist-led printers union has refused job cuts, insisting that printers type news material into computers for typesetting. Most Western newspapers outside Britain have saved jobs by having journalists, not printers, do this work.

If Mr. Laurens resigns, it could make way for firmer business and journalistic management. Jean-Pierre Clerc, former head of the journalists association at Le Monde, says in a forthcoming article that the system has made the editor "Mr. 51 Percent," thereby diluting the authority he once had, a luxury Le Monde cannot afford in the currently harsh economic climate.

Even Le Monde's political credibility has become subject to question.

Le Monde has been left-leaning since it was started 40 years ago this month, at the instigation of de Gaulle, who wanted a prestigious national paper reflecting the ideals of the French resistance.

While opinionated, the paper managed to remain independent, speaking for the French establishment yet ready to tackle the government of the day. Only Le Monde seemed able to maintain this stance with impunity in France, where governments appear to expect to manipulate the media.

But the Socialist victory in 1981, a rival editor said, "was a poisoned gift for Le Monde," which has appeared reluctant to criticize a government that many of its reporters openly support.

This malaise, worsened by staff infighting in 1982 when Mr. Laurens, a compromise candidate, was elected by the journalist-owners as editor, has given critical overtones to Le Monde's financial troubles, amid what is an industrywide crisis.

Le Monde has shunned innovations as broad as the brighter look and tougher management imposed on The Times of London by the Australian press tycoon Rupert Murdoch, or the expansion of leisure coverage that has been lucrative for The New York Times.

Characteristic of Le Monde's lofty approach, journalists refused in 1976 to allow Le Monde's presses to print the weekly France Dimanche because it was considered sensationalist. There is no other candidate for sharing Le Monde's presses, because of their unique format. Le Monde inherited its printing plant from Le Temps, a prewar paper tainted by collaboration.

But Le Monde remains France's biggest-circulating quality daily paper, and it ranks second in advertising revenues, trailing only Le Figaro.

Most other French national newspapers are losing money, surviving with the help of annual government subsidies estimated to top 5 billion francs — in cheap newsprint, favorable postal rates, tax breaks and even direct loans. This enables Paris to support 12 daily papers, more even than London.

The only profitable Paris-based national daily is Le Figaro, a conservative paper owned by Robert Hersant. It is kept in the black by its money-spinning weekly magazine, thick with glittery color ads.

And Le Monde faces an intellectual challenge from the brasher approach of Libération, a paper that emerged from the social upheaval in France in May 1968. Its young reporters cover social issues and cultural themes that are attracting the younger readers who used to buy Le Monde.

Libération, which has strong editorial leadership, has scooped Le Monde on major political stories such as the Socialists' U-turn toward austerity and the diplomatic bungling in Chad.

But even Libération, with a circulation of 120,000, operates at a loss. And Le Monde's problem, some senior journalists say, cannot be solved by copying other formulas.

Le Monde's debt is a crucial issue because it threatens to undermine the paper's most vaunted quality, its independence. For months, according to published reports, Le Monde has been relying on loans from the Banque Nationale de Paris, a nationalized bank whose credit terms could be influenced by government officials.

Government pressure is blamed by several senior Le Monde staff members for preventing the paper from making a major change toward competitivity: becoming a morning paper.

Le Monde, a modern rarity in being a quality paper published in the evening, would then be able to compete with profitable provincial morning papers. Currently those papers get much of their news from the previous day's Le Monde, which is delivered in the provincial cities the morning after it is printed in Paris.

But Le Monde would then compete with other pro-government morning papers, and leave France-Soir, owned by Mr. Hersant, as the only national evening newspaper.

The fate of Mr. Laurens's plan is uncertain. Even if Le Monde stabilizes its finances, many of the paper's journalists want to see changes in management, perhaps even an appeal for outside funds to pay for modernization.

But Mr. Laurens has rejected the idea of outside investors; it would "destroy Le Monde's soul," he told a French interviewer recently.

Duarte Rejects Proposal by Rebels

By James LeMoyne
New York Times Service

SAN SALVADOR — President José Napoleón Duarte has rejected a rebel plan calling for a new government, a new constitution and a new army for El Salvador. But he said negotiations would continue.

Mr. Duarte said the demands, which were presented Friday at the second meeting in a series of peace talks, were "hard, intransigent, inconsequential and totalitarian," and called on the rebels to reconsider them.

"This document has an objective," Mr. Duarte said Saturday at a news conference. "He who reads it will find this is an invitation for unconditional surrender. I cannot accept a document under these conditions. What I propose is that they revise their position."

The rebels' plan contains three steps that are intended to be discussed and carried out over time.

The first stage calls for a "national forum" to discuss the civil war and for measures to "humanize" the conflict — such as agreeing to end the bombing of civilian noncombatants — and end human rights abuses. It also calls for a withdrawal of U.S. military advisers, an end to economic sabotage and a moratorium on the importing of weapons.

The second phase calls for a formal cease-fire with territorial concessions to both armies and an end to U.S. involvement in the internal affairs of the country.

The third stage would include a new constitution, a new government of "national consensus" and reorganization of the army. Elections are to be held as a final step rather than as a first step toward political change as Mr. Duarte has proposed.

Rubén Zamora, a rebel spokesman, said the insurgents would stand by their proposal, which he said was open to further negotiation. The plan was approved by the Democratic Revolutionary Front, the rebels' political wing, and the Farabundo Marti National Liberation Front, the military arm, he added.

Mr. Zamora defended the decision to make strong demands early in the talks, even though such demands might threaten continued negotiations.

"We prefer to say sincerely that these are the problems that have to be confronted and resolved," he said.

If the guerrillas did not mention their intention now to restructure the army, he added, "we would simply be accused of hiding problems."

The demands turned what had been intended as a low-level working meeting at Ayagualo, nine miles (14.5 kilometers) south of the capital, into a 12-hour negotiating session.

In a joint statement after the meeting, the two sides announced an accord allowing civilian holiday traffic to move on the highways between Dec. 22 and Jan. 3. They also said that they had agreed on working procedures and would meet again.

However, unlike their first meeting, Oct. 15 in the northern town of La Palma, the second session did not end with the announcement of a specific place for the next meeting. Mr. Duarte said it would take place in January.

The rebel peace plan restated many past positions, including some that had been ruled out by Mr. Duarte's government and members of the country's armed forces.

Mr. Duarte said that the rebels had to accept the legitimacy of his government and the present constitution as starting points for talks.

A government proposal offered last month asked rebel forces to give up their arms, accept a general amnesty and participate in elections under the present constitution.

UPI

José Napoleón Duarte

Mr. Duarte said the rebel demands would fuel attacks on the peace process from conservative critics. A government official said fears of rightist reaction had led Mr. Duarte to go on television on Friday to promptly reject the rebel proposal.

The army should not and would not consider a demand to restructure itself to include guerrilla forces, Mr. Duarte said in that appearance.

The official said, "This country has had many coups d'etat. The right has many means within the army."

Zia Calls Referendum, Asks 5-Year Mandate

Reuters

ISLAMABAD, Pakistan — President Mohammed Zia ul-Haq has announced plans for a referendum on policies to increase the use of Islamic law, saying he would remain in power for another five years if his proposals won approval.

General Zia said Saturday he had decided to hold a referendum Dec. 19 because several banned opposition parties planned to boycott elections for a National Assembly, which he has promised by March.

He said that the referendum would contain one question: Whether voters approved of his drive to replace Pakistan's British-style legal system with laws based on Islamic teachings and wanted power to be handed over peacefully to elected representatives.

The opposition Movement for the Restoration of Democracy, which began its election boycott campaign on Tuesday, called the referendum a fraud that was intended to keep General Zia in power.

From Karachi, opposition sources said Sunday that the anti-government coalition would boycott the referendum. They said the decision was made at a secret meeting of representatives of all 11 banned political parties that make up the coalition.

The secretary-general of the opposition organization, Khwaja Khairuddin, said that "the proposed referendum is the greatest fraud in the name of Islam for the past 1,400 years."

General Zia, who seized power in 1977, has twice canceled promised elections. He said the elections would go ahead in spite of the boycott threat, but set no date.

In a live television broadcast Saturday, the Pakistani leader said, referring to the opposition, "the question arises whether I should accept what they say or what the masses say. My vote is with the masses."

General Zia said some that politicians were receiving money and support from outside the country "to cause turmoil, terror and violence" at "the behest of their foreign masters."

[A main opposition objection is that the referendum question is in fact three separate questions, and therefore cannot be answered with a single yes or no vote, Agence France-Presse reported.

[Voters will be asked whether they support the policy of Islamization begun by General Zia, whether they want him to organize the transfer of power to representatives of the people in the promised elections between now and March, and whether they want to renew his mandate for five years.

[In another break with usual practice, the results, which will not be announced until three days after the vote, will not be open to appeal in the provincial high courts.]

An opposition spokesman, Malik Qasim, announced an emergency meeting of the opposition alliance in Lahore to discuss the vote, which he asserted would not be about Islam. "This is only a bid to get another lease of five years by using the name of Islam," he said, adding that he thought that voting would be rigged on a large scale.

WORLD BRIEFS

Marcos Fails to Make Appearance

MANILA (UPI) — President Ferdinand E. Marcos failed to make a scheduled public appearance Sunday amid reports of renewed rebel activity in the south.

Nicanor Yniguez, speaker of the National Assembly read a keynote address that Mr. Marcos had been scheduled to deliver to a convention of the International College of Surgeons.

Mr. Marcos has not been seen in public since Nov. 13, although he has been shown three times on television meeting with cabinet officials or being treated by his doctor for "early signs" of the flu. Mr. Yniguez said Mr. Marcos was still recuperating.

Authorities said Sunday that during the previous 24 hours, 33 people were killed in a major battle between soldiers and communist rebels in Zamboanga del Sur province and seven died in terrorist attacks in the port city of Davao.

Police to Hunt for Sub's Falkland Log

LONDON (WP) — A police inquiry has been ordered into the disappearance of the navigation log of the British submarine Conqueror, which sank the Argentine cruiser General Belgrano during the 1982 Falkland Islands war.

The investigation was ordered Friday after Defense Minister Michael Heseltine reported to Parliament that a navy inquiry failed to locate the missing logs or find an explanation for their disappearance. Two weeks ago, the ministry acknowledged that the submarine's signals log had been routinely destroyed.

The Argentine cruiser was sunk May 2, 1982, with the loss of 368 lives. Critics in Parliament have maintained that the cruiser was sunk to sabotage a peace plan by Peru rather than because it was a threat to the British fleet. They also claim that government documents show that the Belgrano was heading away from the British task force 11 hours before it was torpedoed.

Rogers Warns of Nuclear Response

LOS ANGELES (Reuters) — NATO forces in Western Europe would have to resort to nuclear weapons if they were attacked because they lack adequate conventional military means, General Bernard W. Rogers, the alliance's supreme commander, said Sunday.

"By declining to pay the bill for adequate conventional forces, our nations have mortgaged NATO's defense to the nuclear response," he said at a news conference in Los Angeles.

Declaring that the Warsaw Pact countries had at least a 2 to 1 superiority over the North Atlantic Treaty Organization in the military balance in terms of quantity, General Rogers said: "Under current conditions and if the present political will prevails, we would have no recourse if attacked conventionally but to have to resort to nuclear weapons."

Court Rules Against Scargill on Assets

LONDON (AP) — The High Court in London has removed the National Union of Mineworkers' assets of $10.7 million from control of the union's leader, Arthur Scargill, its vice president, Mick McGahey, and its general secretary, Peter Heathfield.

Judge Mervyn Davies ruled Friday in favor of 16 working coal miners who claimed Mr. Scargill and other officials were guilty of contempt of court for refusing to pay court fines. The fines stemmed from a ruling that the miners' strike called in March was illegal because it had not been authorized by a union membership vote.

Judge Davies appointed a receiver, Herbert Brewer, to take control of the assets. On Saturday, appeals judges upheld the ruling. Receivers said they would move Monday to bring £4.3 million ($5.16 million) of union funds back to Britain from a bank in Luxembourg.

Kuwait Arms 2 Islands After 'Threats'

KUWAIT (AFP) — Kuwait has put troops on the islands of Warbah and Bubiyan, between Iran and Iraq in the extreme northwest of the Gulf, and installed anti-air defenses, including ground-to-air missile ramps, the Defense Ministry announced Sunday.

The defense minister, Sheikh Salim al-Sabah, said the action had been taken because Kuwait had recently received "threats," whose origin and exact nature he declined to disclose. However, it was thought likely he was referring to a warning directed at Kuwait two weeks ago by Iran against ceding the islands to Iraq.

Kuwait has firmly backed Iraq against Iran in the Gulf war, but reliable sources said that recently the emirate had considerably slowed the transit of weapons and supplies across its soil to Iraq, which has been denied the use of its only Gulf port, Basra, since the outbreak of hostilities.

For the Record

Pope John Paul II will visit Venezuela, Ecuador, Peru and Trinidad and Tobago from Jan. 26 to Feb. 6, the Vatican said Saturday. It will be the pope's 25th overseas trip. *(AP)*

The chairman of the U.S. Consumer Product Safety Commission, Nancy Harvey Steorts, resigned Friday. She had been one of the highest-ranking women in the Reagan administration. Officials and sources close to the commission said Terrence M. Scanlon, a Democratic member of the commission, was likely to succeed Miss Steorts. *(WP)*

President Albert René of the Seychelles said that Soviet military advisers were manning strategic defense points on the island republic but denied his country has been converted into a Soviet military base. *(UPI)*

King Fahd of Saudi Arabia was quoted Sunday as saying he planned a parliament and a constitution to put his kingdom on the road to democracy. He said he would create a consultative assembly "within three or four months." *(AP)*

Correction

The headline on a story about Degussa in Saturday's financial section was misleading. The headline should have indicated that Degussa's profits rose by an undisclosed amount in fiscal 1984.

Doubts Cast On FitzGerald

(Continued from Page 1)

time" since Ireland took over the presidency. Mr. FitzGerald said recently in Brussels. Appearing tired and drawn, he conceded that his meeting with Prime Minister Margaret Thatcher of Britain a few days earlier had dominated his schedule, as had the drafting of a national economic plan.

But he added that the main role of an EC council president is to preside over the summit meeting and personally intervene in preparations only when necessary. He noted that he had met with several EC leaders in August and early September.

The fact that Mr. Barry and other Irish officials have been handling presummit negotiations with their EC-member counterparts is "only normal," Mr. FitzGerald said. "They have been doing an excellent job in bringing the EC governments along," he added.

One Irish diplomat said that small countries hosting summits often are blamed for failure to act like the more powerful EC governments. "But dammit," he said, "we have made progress in the Irish presidency. We have just not made a big song and dance about it."

AP

Garret FitzGerald

Irish officials emphasized that under Ireland's presidency, controversies over the 1984 and 1985 budgets were resolved. The officials directed completion of negotiations with developing countries for a third five-year trade and aid agreement, and Dublin guided the talks with Spain and Portugal.

Still to be tested is the chemistry of the EC leaders once they are together.

EC Membership of Spain, Portugal Among Key Issues in Dublin Summit

International Herald Tribune

THE BACKGROUND: The summit meeting Monday and Tuesday of European Community leaders in Dublin is the triennial gathering of the leaders of the trade bloc's 10 member nations. It follows the summit June 25-26, in Fontainebleau, France, where the most important agreement was establishment of a permanent, community payments system that ended the bitter, four-year controversy over Britain's contribution to the EC budget.

THE ISSUES: The main question to be resolved is the enlargement of the community through membership of Spain and Portugal. EC leaders will be under pressure to complete negotiations with both countries by the end of the year to allow time for member parliaments to ratify the entry treaties. Establishing EC wine quotas is considered an essential prerequisite for continuing entry talks with Spain.

Strengthening EC political cooperation also is expected to be a key issue. West Germany and France, among others, want to accelerate the process, while Britain would rather pursue integration of industrial markets through such measures as establishing a common transport policy and easing protectionist barriers to government procurement in EC countries.

2 Investigators of Priest Case Die in Car Crash in Poland

(Continued from Page 1)

group of foreign journalists that the Popieluszko slaying had badly damaged his government, which he said would spare no effort to find anyone who may have directed or protected the three officers who had been charged.

A fourth officer, Colonel Adam Pietruszka, has been charged with abetting the killing. Zycie Warszawy, the government newspaper, quoted the general prosecutor handling the investigation as saying that Colonel Pietruszka would be indicted as well for plotting the crime.

■ **Solidarity Describes Killing**

An underground Solidarity news release said the slain Solidarity activist, Stanislaw Chac, 42, died in a hospital two days after being abducted, beaten and torturd on Oct. 19.

It said Mr. Chac, a Solidarity leader at an auto plant in Lublin in southeastern Poland, was found unconscious in a street Oct. 20 by medics who had responded to a police telephone call notifying them of his condition and whereabouts

Undergound Solidarity did not identify the assailants but said an autopsy showed that Mr. Chac had suffered severe blows to his head and that needles had been driven under his fingernails.

The news release also identified two Catholic priests in the city, the Rev. Eugeniusz Kosciolko and the Rev. Zenon Ziomek, whom it said had been abducted and tortured but later released.

Father Kosciolko, contacted by telephone, asserted that he had been abducted and tortured.

■ **Glemp Silences Priest**

Bradley Graham of The Washington Post reported Saturday from Warsaw:

Cardinal Glemp's most recent attempt to curb political activity by Polish priests was conveyed in a letter signed by the cardinal dated Nov. 24 and addressed to all church rectors and administrators in the Warsaw area.

The cardinal left for Rome two days later to discuss with Pope John Paul II the Popieluszko case and its implications for future church-state relations. He was due to return Monday.

Church sources described the letter as an overdue effort by the primate to discipline The Rev. Stanislaw Malkowski.

[Father Malkowski celebrated Mass at a church in Padkowa Lesna in the archdiocese Sunday but not deliver a sermon, Reuters reported.]

Third Sikh Arrested in Gandhi Plot

New York Times Service

NEW DELHI — A third Sikh who has been arrested in connection with the Oct. 31 assassination of Prime Minister Indira Gandhi was identified Sunday as a relative of one of the two alleged assassins.

Indian news agencies reported that official sources said that the third suspect arrested, Kehar Singh, was seized Friday. He was produced before a local magistrate Saturday.

Following a reported confession Saturday by Satwant Singh, one of the two guards alleged to have assassinated Mrs. Gandhi, the police are said to be looking for a second relative of Beant Singh, the slain security man believed to have fired the first shots at Mrs. Gandhi.

A New Delhi police subinspector also is reportedly being sought. Both are thought to be conspirators in the assassination.

The official sources identified Kehar Singh as the husband of an aunt of Beant Singh and said he worked as a clerk in the Directorate-General of Supplies and Disposal, a central government department.

Satwant Singh and Jagtar Singh, another soldier who was a guard at Mrs. Gandhi's official residence, are the other two formally arrested in the case. Most Sikhs use the surname Singh.

According to the United News of India, Satwant Singh dictated a statement confessing to the killing and revealing details of a plot to a local magistrate, who heard the confession in his prison cell. The magistrate, B.B. Gupta, reportedly warned Satwant Singh that his statement could be used as evidence against him and that he could be sentenced to death or life imprisonment if convicted of murder.

"I do not not know if any other person than the three are involved," United News of India reported Satwant Singh as saying in the statement. "Beant Singh would have known. It was Beant Singh who did everything."

Satwant Singh also stated that three days before the slaying, he and Beant Singh had arranged to be placed "on duty together and to commit the crime on Oct. 31." It was while standing guard at the gate between Mrs. Gandhi's office and her home that, according to witnesses, they gunned down the prime minister.

King Assails 1978 Accord

(Continued from Page 1)

posed the accords because they had excluded the PLO as the Palestinians' representative.

Hussein and President Mubarak spoke on the second day of the king's planned three-day state visit to Cairo. The king is the first Arab leader who shunned Egypt after it made peace with Israel to return to Cairo on a state visit. In September, he surprised the Arab world by restoring the diplomatic ties he had severed in 1979.

Earlier in the day, Hussein laid a wreath at the Egypt's tomb of the unknown soldier in northeastern Cairo. But he did not visit nor pay tribute to the tomb where Sadat is buried, although Sadat's memorial was only a few paces away.

Hussein was applauded when he reiterated his view that Jerusalem must be part of the land that is returned in exchange for peace with Jordan.

Hussein also renewed his appeal for an international peace conference, which would include the Soviet Union, to resolve the protracted Arab-Israeli conflict.

In his speech, Mr. Mubarak pleaded for Arab unity. He indirectly criticized Syria, Libya, and others who have characterized the Egyptian-Jordanian rapprochement as a conspiracy to make a separate peace with Israel.

"We seek Arab integration," Mr. Mubarak said. "The Arab nation with its economic and human resources is capable of erecting a colossal Arab front. If this is a conspiracy, I am proud to be in the forefront of it."

Reagan Tentatively Decides To Cut Medical, Housing Aid

By Francis X. Clines
New York Times Service

WASHINGTON — President Ronald Reagan has tentatively decided on cuts in Medicaid and federal housing assistance, and is leaning toward a freeze on U.S. government salaries and on cost-of-living adjustments for all pension programs but Social Security, according to administration officials.

The officials described the president as making his initial, tentative decisions on a new budget while attempting to hold overall spending next year at this year's level. The White House staff has used the term "freeze," but officials said Friday that the term was more useful politically than technically.

A Reagan administration official said a spending freeze was impossible in a literal sense in federal budgeting, where contracts and the big programs that entitle people to automatic benefits run into the future.

As a result, the actions are being considered in relation to original budget projections, and a freeze in a program would hold services at the same level while altering spending to account for inflation or other factors.

The official said Mr. Reagan was reviewing the budget with an eye toward accommodating the political needs of Senate Republicans who have requested that an across-the-board freeze be tried.

Mr. Reagan was reported to be halfway through a list of about 100 major budget options, deciding whether to cut, freeze or end various programs. The large question of military spending was left for this week's budget sessions.

In the private sessions, according to one official, the president was asking questions about who would be affected by various cuts in Medicaid and housing aid, and choosing to accept some, but not all. Officials declined to offer his precise decisions, saying they were subject to revision.

Under these broad categories, the administration has sought to end such programs as urban and community development aid and assistance for new public housing for the poor. It also has sought limit on how much the federal government contributes to the Medicaid program, which pays for medical care for the poor.

The president's spokesman, Larry Speakes, stressed Friday that Mr. Reagan was "considering" the notion of a "freeze" in the general sense of trying to hold the overall spending level for next year's budget at the estimated current level of $835 billion, excluding payments for interest on the national debt.

Mr. Speakes said such a general guideline would meet or possibly exceed the goal of cutting $45 billion from unspecified spending programs next year and still more over the following two years, so that the current deficit of about $200 billion a year is cut in half by the fiscal year 1988. The fiscal year 1985 began Oct. 1.

White House officials emphasize that even the tentative decisions the president has made for terminating or trimming programs are subject to review.

The administration already has served notice on the House Democratic leadership that, whatever the precise package of cuts that eventually evolves, the president will seek to generate public pressure on the Congress to deal with it in a single vote rather than debating it in separate pieces.

Another official estimated privately that most of the reduction would have to come from deeper cuts than a supposedly even-handed "freeze" approach could produce.

The president's budget director, David A. Stockman, originally proposed ending programs in sensitive areas such as farm subsidies and urban transit aid. This process now has been adjusted somewhat to pay closer attention to retaining last year's overall spending level, but the result is certain to end or deeply cut various programs, administration officials said.

The deficits for the fiscal years 1986 through 1988 are projected by the administration to be in the range of $200 billion to $225 billion, without any further spending reductions or tax increases.

The administration has set a goal of cutting overall spending by $45 billion in 1986, $85 billion in 1987 and $110 billion in 1988. The president opposes any tax increases to help reduce the deficit.

■ Regan Defends Plan

Treasury Secretary Donald T. Regan defended Saturday his department's tax plan proposal that would eliminate federal income tax deductions for state and local taxes, saying that "my heart will not break" over "high-tax states trying to protect their wealthy taxpayers," The Associated Press reported from Washington.

Under current federal income tax laws, people who itemize their federal income tax returns may deduct the amount they pay in state and local taxes. Under the Treasury Department proposal, state and local taxes would no longer be deducted.

New York state's residents are the greatest beneficiaries of this provision.

"I have no sympathy for high-tax states trying to protect their wealthy taxpayers," Mr. Regan said a television interview program. "Seventy percent of the people in New York State do not itemize. Therefore, they are not affected by this at all."

United Press International

SOVIET FARM TOUR — Members of a Soviet delegation visiting Galesburg, Illinois, watch as the U.S. secretary of agriculture, John R. Block, right, hands a pig to Valentin K. Mesyats, the first Soviet agriculture minister to visit the United States since 1971. Mr. Block later said the countries would expand agricultural contacts.

Air-Crash Experiment Fails in U.S.

Radio-Guided Jet Burns Despite a New Fuel Mixture

By Douglas R. Feaver
Washington Post Service

EDWARDS AIR FORCE BASE, California — The radio-controlled test crash of a jetliner as part of research into eliminating lethal fires caused by aircraft fuel resulted instead in a spectacular burst of flames and smoke.

A fireball engulfed three-fourths of the four-engine Boeing 720 immediately after it crashed Saturday in the desert in a test performed by two U.S. government agencies. The plane carried no passengers and no crew.

The fireball lasted about six seconds, and was followed by an outpouring of black smoke that often accompanies landing crashes. Flames from what officials called a "secondary fire" were visible through the smoke.

A radio transmission from the crash site 19 minutes after impact said technicians were having difficulty putting the fire out, and smoke was still rising from the wreckage on Rogers Dry Lake an hour after the crash. Two large holes had been burned in the top of the fuselage and the interior of the cabin was described as charred.

The Federal Aviation Administration and the National Aeronautics and Space Administration sponsored the $11.8-million crash primarily to test an aircraft fuel mixture called anti-misting kerosene. If it had worked as projected, the fuel-fed fireball that almost always accompanies plane crashes would not have attached itself to the airplane, although small fires were expected.

The plane was the largest ever flown by remote control. It carried 75 dummies and more than 350 electronic sensors plus 12 high-speed cameras in the cabin.

James Woodall, executive assistant to the chief of the Federal Aviation Administration's technical center in Atlantic City, New Jersey, said that the first release of fuel "did ignite and went out. Soon after that there was a secondary flash and it did stick with the airplane."

Mr. Woodall said he was "perplexed" by the secondary fire. Mr. Woodall is the man generally regarded as a prime mover of the concept behind the test crash that was supposed to prevent such fires.

"We don't have all the answers, obviously," he said. Mr. Woodall said he hoped answers would be found later because, "even if everything was destroyed out there, we have the data" from telemetry and many onboard experiments that were expected to survive.

Transportation Secretary Elizabeth Hanford Dole, who witnessed the crash on a mountaintop four miles (6.4 kilometers) away with a group of aerospace industry officials and journalists, had said earlier that she hoped to issue by next spring a proposed federal rule to require anti-misting kerosene.

The administrator of the Federal Aviation Administration, Donald D. Engen, said after the crash that it was still his goal to forward a rule to Mrs. Dole, but that "a lot depends on the initial reduction of data" derived from the crash.

James McAbee of ICI Americas Inc., the chemical company that manufactured the fuel additive, called the test "inconclusive."

He agreed, however, that the fireball that people would see on their television screens made it potentially more difficult to get a federal rule requiring his product.

The anti-misting kerosene, he said, "performed as expected, but some other scenarios took over." Officials had hoped the plane would slide along the ground for a greater distance than it did.

Tom Trip, a spokesman for the Air Transport Association, which represents many U.S. airlines, said, "The product didn't work as advertised." The airlines, anticipating a regulatory requirement for anti-misting kerosene, have been concerned about its potentially high cost because of aircraft modifications that would be required to use the fuel, and about its effectiveness.

Mr. Woodall said he hoped some of the cameras in the plane survived the fire. Those near the cabin's ceiling, he said, probably did not.

Other experiments on board the aircraft included specially designed seats, including some facing the rear, that are supposed to improve chances of passengers' surviving the impact of a crash; floor-level exit lights to assist passengers when smoke builds in the cabin, and special fabrics on many seat cushions that are supposed to retard the spread of flames.

9 Protestant Churches Approve a Framework For Future U.S. Merger

By Kenneth A. Briggs
New York Times Service

NEW YORK — Representatives of nine major Protestant denominations have approved a set of accords intended to provide the theological basis for the eventual merger of the churches.

The Consultation on Church Union, meeting in Baltimore on Friday, adopted a 48,000-word statement of agreement on key issues, including baptism, forms of ministry, creeds and worship. Although it is conceptual rather than practical, church officials said the document helps remove the big theological roadblocks that have prevented unity.

"Division in the life of the church is a contradiction of its very nature," the statement says. "The reasons for seeking unity among the churches are found in the Bible, in tradition and in the imperatives of witness and worldwide mission."

The statement, which caps a 22-year effort, now will be voted upon by each of the participating denominations, which vary greatly in their organizational and theological traditions. Consultation leaders expect consent from the churches, which have a combined membership of 23 million Christians, but they caution against excess optimism.

The churches in the Consultation on Church Union are the African Methodist Episcopal Church, the African Methodist Episcopal Zion Church, the Christian Church (Disciples of Christ), the Christian Methodist Episcopal Church, the Episcopal Church, the International Council of Community Churches, the Presbyterian Church U.S.A., the United Methodist Church and the United Church of Christ.

Their document envisions the churches' granting full legitimacy to one another's clergy, celebrating the Eucharist together and coordinating the work of the bishops, the presbyters — whose basic role is that of church pastor — and deacons. Those are the churches' three categories of ordained ministry. All the participating churches now ordain women.

The action was praised by leaders from the participating churches as the most decisive step in many years in the movement toward church unity. Ecumenism has been on a sluggish course in recent years and the attainment of a basic accord is considered a significant accomplishment.

"It's a great moment," said the Reverend Gerald Moede, general secretary of the consultation. "After 22 years of work, we have a theological agreement."

A merger of the churches would make the resulting denomination the largest Protestant denomination, ranking far ahead of the Southern Baptist Convention, with about 14 million members. There are approximately 52 million Roman Catholics in the United States.

Adjustments are expected by the churches across the spectrum. Presbyterians who never have had bishops are asked to accept the concept of a hierarchy. Methodists who never have required written statements of faith are presented with two historic creeds, the Apostles' and the Nicene, as norms for doctrinal belief in a united church.

Churches with a background that gives congregations great autonomy, such as the Disciples of Christ and United Church of Christ, would submit to more regional and national forms of church governance.

The vote to recommend the statement to the churches was only the second in the consultation's history and much broader in scope than a vote in 1976, when consultation asked the denominations to recognize one another's members.

Geologists Say Rift May Split North America

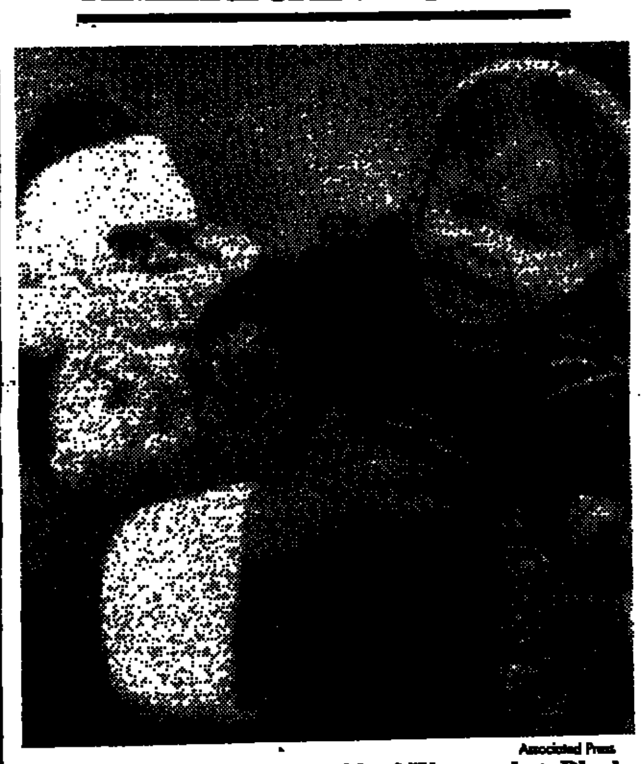
Washington Post Service

WASHINGTON — The North American continent is splitting open. A geological rift running north and south through Colorado and New Mexico is widening slowly but surely — by about one millimeter a year.

Geologists watching the process say that millions of years from now a new ocean could form there, as the forces of continental drift drive the eastern two-thirds of what is now the United States away from the western third.

The geological feature, which follows the course of the Rio Grande, has long been known to geologists as a "depression." Only in recent years did they realize it was a rift, caused by a weakening of the Earth's crust, rather than simple erosion in the river bed.

AMERICAN TOPICS



Associated Press

Kevin Brunelle, 18 months old, of Woonsocket, Rhode Island, was far from pleased to meet Santa Claus.

Trials by Fury: PR and the Courts

David Henderson represents General William C. Westmoreland, and John Scanlon represents CBS in a libel trial being held in New York. But they are not lawyers. They are public relations men, a relatively new element on the legal scene. They provide the press with documents related to the case, and they spend hours every day in the corridors or on the telephone talking to reporters.

All this has raised questions: Should the opposing sides in a trial be seeking the outside world's approval when the ostensible goal of litigation is to attain justice inside the courtroom? And what is the propriety of the press possibly taking its cues from a paid information officer during a trial?

"I don't find anything improper about it," said David Zucchino, a reporter for The Philadelphia Inquirer. Other reporters have expressed some doubts but no substantive objections. And the legal scholars?

"It's pretty unusual," said Professor Arthur R. Miller of the Harvard Law School. However, he added, "prosecutors have been doing this kind of thing for years. I always have felt very queasy about a situation in which a lawyer is conducting a satellite trial in the media."

"Both sides," said Professor Geoffrey Hazard of the Yale Law School, "are seeking a public opinion verdict as well as a jury verdict."

Missouri Remembers A Dubious Native Son

The eastern Missouri town of Hannibal is justifiably proud of such natives as Mark Twain, but some citizens had misgivings over the attention given to another native son recently, The New York Times reports.

About 40 people gathered on a hilltop cemetery last month to dedicate a marker the American Civil Liberties Union had placed on the grave of Clarence Earl Gideon, a drifter and habitual thief whose hand-written note to the Supreme Court led to a ruling 21 years ago that every defendant has a right to legal counsel. Mr. Gideon died in 1972, but his grave had remained unmarked.

Frances Ogden, Mr. Gideon's half-sister, said, "If my mother had wanted a grave marker, she probably would have put one there." Mayor John Lyng made a few appropriate remarks. But Bill Schneider, a former mayor, said later, "I don't believe in honoring someone of his type. He was just an ordinary punk."

Among those on hand was Jim Alexander, who was once robbed by Mr. Gideon at gunpoint. Said Mr. Alexander, "I think the Lord used him to make this point of the law."

Notes About People

President Reagan's victory bells broke up that old gang of Walter Mondale's. **Eliot Cutler**, one of the defeated Democratic candidate's senior advisers, is returning to his Washington law practice. **Marty Kaplan**, Mr. Mondale's chief speech writer, said, "I plan to see how long I can stay on vacation." **Don Foley** is back at work as press secretary to Representative **Richard A. Gephardt**, Democrat of Missouri. Mr. Cutler said there was no need to worry about those who have no jobs to go back to: "I don't think anyone will be out on the street."

Ed Schwartz, a Philadelphia city councilman, was riding one of the city's trolleys last Monday to see what the average rider has to put up with. He was mugged at a transit stop by two men, one of them with a gun. "When he pointed the gun," Mr. Schwartz recalled, "I said, 'You're dealing with a city councilman. Are you sure you want to go through with this?' The effect of that was it made no difference. He put the gun to my left cheekbone." The men took his wallet containing $30.

— Compiled by
ARTHUR HIGBEE

Drug, in Test, Reversed Some Balding

By Saundra Saperstein
Washington Post Service

WASHINGTON — A dermatologist at the Washington Hospital Center here has offered new hope to balding people, announcing positive test results on a drug to fight the condition that strikes half the male population by age 50.

A yearlong test of the drug, minoxidil, showed a "cosmetically satisfactory response" in nearly a third of the 96 patients who used it, the dermatologist, Dr. Thomas Nigra, said Friday. He said the drug treatment doubled the number of hairs growing in target areas on 27 of the tested heads. No one, he said, experienced any hair loss.

At a press conference, Dr. Nigra cautioned that the drug "is a therapy, not a cure. You must continue to use it or your hair will fall out." The drug is also expensive, with a year's supply costing about $1,000.

Dr. Nigra added that tests are still under way across the country.

A spokesman for the drug's manufacturer, Upjohn Co., said the drug could not be on the market before 1987. Results must be analyzed and approval of the federal Food and Drug Administration usually takes two years.

A spokesman for the hospital said the drug, in a lotion that is rubbed into the scalp, can be used to fight "pattern baldness," the most common type. It is believed to be hereditary and is characterized by a receding hairline and loss of hair at the crown, said the spokesman, Donna Arbogast.

Patients must have some fine hairs growing in the balding areas for the drug to work, she said.

Minoxidil, marketed under the name Loniten, is currently used to treat high blood pressure. As is the case with many new drugs, researchers discovered it had certain side effects — on some people it grew unwanted hair. That led to experiments at 28 locations across the United States.

Of the 91 men and five women who took part in the test, 81 showed some increase in the number of hairs in the target areas, a spot one inch (2.5 centimeters) across on their scalps, said Mrs. Arbogast. Nine of the subjects developed side effects, including burning or redness of the scalp, and had to drop out.

Nicaragua Talks Are Suspended

Reuters

MANAGUA — Talks between Nicaragua's ruling Sandinist National Liberation Front and 33 political, labor, church and business groups have been suspended indefinitely, a spokesman for the negotiations, Carlos Lucas, has announced.

Negotiators said the Popular Social Christian Party, one of four members of the opposition Democratic Coordinator alliance, had insisted that agreements reached in the talks have the force of law, while the Sandinists said this would negate the functions of the Constituent Assembly elected Nov. 4 and dominated by them.

A Sandinist statement said the talks broke down Friday "due to the refusal of rightist political parties and private enterprise business groups to recognize the United States as the principal aggressor against Nicaragua."

U.S. Carrier Is Sent to Aid Ship Off Cuba

New York Times Service

WASHINGTON — The United States sent the nuclear-powered aircraft carrier Nimitz to aid a navy-chartered ship that drifted into Cuban waters. A senior Defense Department official said the action was taken because of concern that the Cubans might try to seize the ship for political purposes.

The Seaward Explorer, which had been chartered by the navy for mapping purposes, drifted into Cuban territorial waters early Friday. The 90,000-ton Nimitz, on a port call at Charlotte Amalie, St. Thomas, Virgin Islands, was ordered to sea so quickly Friday morning that about 1,000 of 5,200 crew members were left behind, Pentagon officials said.

The decision to send the Nimitz and an escort ship, the nuclear-powered cruiser Arkansas, to sea was made when the Cuban authorities told the State Department that a Cuban boat might take the disabled U.S. ship to a Cuban port for repairs, a State Department official said Saturday.

"We did not want the Cubans to take that ship," the senior Pentagon official said. "The Cubans might have tried to make a political show of the whole thing and hold the crew and ship. We did not want that to happen. So we sent the Nimitz because its planes could get to the scene."

Before the Nimitz arrived, the Coast Guard cutter Reliance, on station in the area, towed the Seward Explorer out of Cuban waters.

The State Department tried to treat the matter routinely Saturday. It said in a statement that "we thanked the Cubans for their offer of assistance."

Laos Said to Bar U.S. Aide

Agence France-Presse

BANGKOK — Laos has asked the United States to withdraw a low-ranking diplomat from the U.S. Embassy in Vientiane, diplomatic sources in Bangkok and Hanoi said Saturday.

Herald INTERNATIONAL Tribune

Published With The New York Times and The Washington Post

Uruguay Struggles Back

The latest Latin American country to be going democratic — the sixth in the last few years — is Uruguay. On Nov. 25 it held its first presidential election since the military took over in 1973. Two politicians, working at odds toward a similar goal, made it happen. Wilson Ferreira Aldunate, bane of the generals' existence, agitated in exile for democracy and was immediately arrested upon his return last June. That set the stage for Julio Maria Sanguinetti to negotiate the formula whereby a reluctant military promised to yield power. The military agreed to elections but demanded that Mr. Ferreira and another party leader not run, and that the military be exempt from purge or prosecution for past abuses. Mr. Sanguinetti won the election. He takes over a torn and tired country, and an economic mess.

It seems that the generals in Latin America are never ready to go quietly and in a timely fashion. They hold on long past the time needed to achieve the immediate purposes of their seizure of power. Only when they have run things into the ground do they let the civilians back in. In the circumstances, it is heartening that the civilians — the true patriots — always seem prepared to pick up the pieces. You could see it happening recently not only in Uruguay but also in neighboring Argentina, where President Raúl Alfonsín neatly resolved the truly difficult Argentine side of the century-old Beagle Channel border dispute with Chile.

Pope John Paul II, as mediator, had produced a solution that was bound to arouse Argentine nationalists still smarting from their defeat in the Falklands war. To draw the poison from an issue for which Argentina almost went to war in 1978, and to reduce military influence, Mr. Alfonsín needed a broad display of public support. Arguing for peace and the future, he conducted a "consultation" in which an unexpectedly large 73 percent of the voters took part. It gave overwhelming 79-percent approval to his plan.

That leaves Chile as the only country in the once and, one hopes, future all-democratic "southern cone" with nothing to celebrate. On the contrary, as Uruguay and Argentina move on, General Augusto Pinochet, who has gone back to open reliance on military force, seems intent on keeping Chile indefinitely a military dictatorship. He and General Alfredo Stroessner, 30 years in the saddle in Paraguay, run just about the last police regimes in Latin America south of Havana. A lovely pair.

— THE WASHINGTON POST.

Argentina Gives a Lesson

It had baffled mediators like the Vatican, Queen Elizabeth and the World Court. It had nettled five generations of politicians, diplomats, lawyers and editorialists. Just six years ago it came close to provoking war between Argentina and Chile. Can it be that Argentina is finally ready to write a decent end to the antique dispute over ownership of three small islands in the Beagle Channel at the southern tip of the Americas? Yes. And what makes this small miracle sweeter is the fact that the bargain has been overwhelmingly approved in an advisory referendum of Argentines. A low turnout was expected for that voluntary Nov. 25 vote, but 73 percent of the electorate showed up and marked ballots for the treaty by a margin of four to one. With approval by Congress almost certain, it is a handsome victory indeed for President Raúl Alfonsín.

Mr. Alfonsín reopened talks with Chile even before his inauguration last January. That led to a friendship pact and fresh mediation by Pope John Paul II, whose 1980 compromise had been rejected by Argentina's military regime. Under the papal plan, Chile gets title to three tiny islands while both countries share economic rights in a "sea of peace."

By resolving this century-old quarrel, Argentina can reduce arms spending hitherto justified by fear of a war with Chile. The settlement is a gesture from now-democratic Argentina to a Chilean people clamoring for the same freedom. For the world, Argentina's example challenges the myth that territorial concessions are political poison. A reasoned case was offered and the voters approved.

Surely there is also a lesson here for Great Britain, which refuses even to discuss Argentina's claim to the Falkland Islands.

— THE NEW YORK TIMES.

A Welcome Tax Debate

Washington is suddenly seized with tax reform. There are three plans, one from the Treasury and two from Congress, all designed to spread the tax load more evenly. None deal with the most crucial need, to raise new revenue, and each angers interest groups by closing old loopholes. As a result no reform at all may occur. But when three distinctly different sponsors come up with a similar conclusion, it is worth examining even if it is wishful.

What's up? The current catchword is "fairness." The modern income tax originated with the same motto, in a 19th century populist protest against raising revenues solely from sales taxes and tariffs. The fairness of taxing income is now well established. The unfairness lies in the many exceptions that the tax code makes for different types of income.

In addition, special deductions and credits have become highly complex and inefficient, distorting individual and business behavior for tax advantage alone. Investors are steered to nonproductive tax shelters, for instance, and heavy industry enjoys benefits that are not available to the high-tech sector. As distortions have mounted, so has the movement for a return to more uniform treatment.

The current round of debate started with a bill introduced early last year by Senator Bill Bradley of New Jersey and Representative Richard Gephardt of Missouri, both Democrats. They proposed lower and fewer tax brackets, with sharply curtailed exceptions. A Republican version followed from Representative Jack Kemp of New York and Senator Robert Kasten of Wisconsin. They agree with the Democrats on many exceptions that they would reduce or remove, but their proposal would be more favorable to investment.

President Reagan launched the third plan last January when he directed the Treasury to come up with one by year's end. The Treasury explored different departures favored by conservatives, notably a value-added tax and a tax on people's spending rather than income. It rejected both and came out with a tax reform plan remarkably close to those of the congressional Democrats and Republicans.

The Treasury plan, as just disclosed, is broader than either congressional bill. It cracks down on business tax advantages the others do not address and is generally tougher on individuals, too. Its breadth is commendable, but it tackles too much. Ending the deductibility of state and local taxes would take a fundamental reordering of the federal-state relationship without facing up to the consequences. And the Treasury's bold attack on business-related tax breaks has already drawn such furious reaction as to make the whole idea vulnerable. The Kemp-Kasten bill was written by and for true believers in supply-side economics. Only the Bradley-Gephardt proposal was designed to avoid the politically impossible and achieve fundamental reform.

There may not be much hope for real reform now, not when the huge budget deficit cries out for more taxes rather than cleaner taxes. But just the introduction of these three plans has already brought the debate further than it had come in years. All sides now agree that a simpler and fairer system which does not severely distort economic behavior is right.

— THE NEW YORK TIMES.

Other Opinion

Stalin's Victims Are Still Dying

Mrs. Thatcher and President Mitterrand [find] themselves in close agreement on how to pursue relations with Moscow. Prospects for a concerted Western policy are improving, and there seems more hope of progress than for many months. Yet that should not be confused with genuine détente. In Moscow Stalin is increasingly remembered in newspapers, journals and films as a great military and economic leader. What were even recently described as his "negative features" now go unmentioned. But his influence is still felt in the camps; over 900 political prisoners are known by name, and there are certainly more. A distressing number of these prisoners of conscience have died this year, crushed by the wretched conditions of their confinement. Increasing communication with the Soviet leaders certainly offers more hope of achieving some relaxation of tensions. But it is not enough to shake their hands. They must be reminded that civilized states are expected to honor all their agreements, not merely those that are convenient.

— The Times (London).

FROM OUR DEC. 3 PAGES, 75 AND 50 YEARS AGO

1909: A Call for a Strong Australia

MELBOURNE — In the Commonwealth House of Representatives, Mr. Alfred Deakin, the Prime Minister, replying [on Dec. 2] to the objections of Mr. Andrew Fisher, a former Prime Minister, to borrowing money for defence purposes, said: "We in Australia have realized probably more than the European countries that among the possibilities of failure in our defence would not merely be the loss of the old flag and our place in the Empire, but also the destruction of every social, political and religious idea we most cherish. We must put ourselves the question whether we are prepared to-day to take our share in the defence of Australia. We not only need our fleet, but we need it without delay." The speech was greeted with prolonged cheers.

1934: Flooding Swamps Melbourne

MELBOURNE — Thirty-four persons have lost their lives and 6,000 have been rendered homeless by serious floods and gales in Victoria. The worst of the storm was felt in and around Melbourne, where estimates place the damage at more than $250,000. In the country districts sheep, cattle and horses have been drowned by the thousands, and traffic is disorganized. The floods followed two days of continuous rain and storms of hurricane violence. The rivers are still rising, as floodwaters pour down from the hills. The authorities are providing food and shelter for refugees. In the Melbourne metropolitan area, 2,500 persons are homeless, and in each of the suburban townships of Chelsea and Dandenong 1,500 persons are receiving emergency relief.

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Geneva 1985: Reagan's Chance To Get Down to Arms Control

By Paul G. Warnke

The writer, now chairman of the Committee for National Security, a citizens' group working on arms control matters, was director of the U.S. Arms Control and Disarmament Agency in 1977 and 1978.

WASHINGTON — The scheduled meeting between Secretary of State George Shultz and Foreign Minister Andrei Gromyko in early January offers President Reagan a unique opportunity to get the arms control agreement that he now describes as his first priority. The Soviet Union has agreed to talk, without conditions, about "the entire complex of questions concerning nuclear and space weapons."

In order to agree to meet for this purpose the Soviet leaders have had to swallow a year's worth of verbiage. They walked out of talks on intermediate-range nuclear missiles in Europe when deployment of U.S. Pershing-2 and ground-launched cruise missiles began in November last year. Then they refused to set a date for resumption of the strategic arms reductions talks on intercontinental ballistic missiles, submarine-launched ballistic missiles and strategic bombers. Until recently they had insisted on removal of all U.S. missiles from Europe as the price for their return to talks.

Is the evident Soviet eagerness to resume talks a victory for Mr. Reagan's policy of talking tough and presenting tough negotiating demands? It may be — if he knows how to be a good winner. Konstantin Chernenko and his colleagues are clearly concerned about having to match U.S. technology in a competition in space weapons. And the stagnant Soviet economy will be hard put to bear the heavy costs of an uncontrolled arms race.

But it would be a sad mistake to conclude that these pressures will lead the Soviet Union now to accept the U.S. proposals on intermediate-range and intercontinental-range nuclear weapons presented in 1982 and 1983 — proposals that the former secretary of state, Alexander Haig, has characterized as "absurd" and "non-negotiable."

A great chance for progress in arms control will be squandered if we try to get the Soviets to accept terms that would put it at a relative disadvantage. Just as neither side can gain nuclear superiority in an arms race, neither will accept nuclear inferiority in an arms agreement.

We can legitimately expect major Soviet concessions if we are prepared to refrain from going ahead with certain programs that Moscow would like to see abandoned.

Fortunately, there are weapons, such as anti-satellite devices, sea-launched cruise missiles and super-accurate but vulnerable land-based intercontinental missiles, that can do much more for security if bargained away than they can do if deployed. To make the most of this opportunity and help the Russians save face, it is highly advisable to fold the talks on intermediate-range missiles into the talks on longer-range strategic weapons. This will increase the trade-offs available to us, forestall renewed Soviet insistence on removal of the Pershing-2 and ground-launched cruise missiles already deployed and put the British and French nuclear forces into proper perspective as a minor factor in the total strategic balance.

It would, in my opinion, be a mistake to try to deal with the entire complex of space and nuclear weapons in one negotiating forum. But the "umbrella" concept can be valuable if it means that a high-level group, consisting of the secretary of state and the Soviet foreign minister and strong supporting staffs, would meet regularly to monitor progress and remove roadblocks in a set of logically related negotiations.

One pair of delegations could consider the overlapping problems of anti-satellite and strategic defense systems. A second could deal with all of the nuclear weapons of one side that can strike the territory of the other. And a third should be directed to complete a comprehensive ban on nuclear testing.

Finally, Mr. Reagan cannot expect to capitalize on this great opportunity without doing some hiring and firing. It is not hard to block arms control agreements. They are hard to get even when everyone is trying. Officials who do not believe in arms control should be relieved of the burden of working for it.

The idea of an overall arms control coordinator reporting to the president and the secretary of state has a lot of merit. This fits the job description of the director of the Arms Control and Disarmament Agency. If the present incumbent does not meet Mr. Reagan's criteria for that role, perhaps he can be given other responsibilities and be replaced by someone who does.

Whether by luck or design, the Gipper has the field position to win a big one for all of us.

The New York Times.

Geneva: But Does Chernenko Mean What He Hints

By Stephen S. Rosenfeld

WASHINGTON — It is a fair question whether Ronald Reagan can make his administration ready to negotiate seriously with Moscow. But it is no less necessary to ask whether Konstantin Chernenko can shape up the Kremlin. In other words, if Mr. Reagan makes the call is there anyone at the other end to respond?

Until recently the official view was no. Now it is: perhaps yes. The no arose partly from a desire to put all the blame on Moscow for poor Soviet-U.S. relations in Mr. Reagan's first term. Given this record of politically inspired analysis, we need to ask if the new "perhaps yes" is more than the thought fathered by Mr. Reagan's evident wish to improve things in his second term.

Behind the earlier view that there was no partner in Moscow was, first of all, the late Yuri Andropov's nastiness and negativism. That tough cop moved to douse an evident Kremlin debate on the issue in September 1983, warning against "illusions" that it was possible to work with Mr. Reagan. A few months later he was back reprimanding unnamed sinners for not realizing how "acute and dangerous" the world situation was and how "impermissible" it was to underestimate it.

Later, when Mr. Chernenko took over, it was said in Washington that he had done nothing but carry Leonid Brezhnev's briefcase for 12 years and was not powerful enough, and perhaps not smart enough, to take a call from Washington. Anyway, he wheezed. Andrei Gromyko and Dmitri Ustinov, at the foreign and defense ministries, became the heavies in an assortment of American scenarios showing that Moscow did not want to deal. The Kremlin was said to be immobilized by a succession struggle being waged by "reformer" Mikhail Gorbachov and "Stalinist" Grigori Romanov.

Now the view is that despite his wheeze Mr. Chernenko is coming into his own in the Kremlin and imposing an outlook that permits at least an exploration of the big strategic questions with Washington. This is not the view of everybody who follows these things, but it is the view that underlies the effort being led by Secretary of State George Shultz on the American side to find an opening to Moscow.

The evidence is, as usual, flimsy and mistakable. This is the part of it that most interests me:

1) Some of the best observers, looking at the way the Soviet leaders are examining their own internal problems of slow growth and social rot, perceive a seriousness, a readiness to bite the bullet not present since the immediate post-Stalin period, when decompression became the urgent national goal. If that is so, a measure of international calm and relief from high military budgets might be in order.

This is a tricky thing for those of us on the outside. America has a long record of thinking that the Soviets cannot avoid choosing between catastrophe and reform, and of finding that they have muddled their way through to the next phase without choosing. But it seems safe to say now that the leaders are looking hard at the trends their experts have been warning them of for years.

2) A strong case continues to be made in Kremlin councils against the war scare generated by the late Mr. Andropov. This is basic: If war is a real danger, all budgetary and policy bets on improving relations are off. Mr. Andropov seemed to be heading down just that dusty road.

The most intriguing figure now standing athwart it is Marshal Nikolai Ogarkov, who both before and after he left his post as chief of staff in September urged a calmer, if still foul-mouthed, view. The American "maniacs" can be restrained, he has said; war is not inevitable; "approximate parity" in nuclear forces still exists; a disarming first strike is becoming progressively less possible; deterrence still holds. He went on to make arguments for future high-tech conventional weaponry.

3) From sending Mr. Gromyko to listen to American thoughts, Mr. Chernenko is moving on to speak his own. He is making repeated occasions to assert, under his own name, a hedged but still apparent readiness to talk with the United States. Nothing is ever final or definitive in these matters, but the Andropov to-hell-with-Reagan line is in eclipse. The rage in Soviet statements in recent years has become less evident. Soviet propaganda is back to garbage as usual.

That is not enough for those who think that the very idea of politics in the Soviet Union, of people testing different ideas, issues and approaches, is dangerous, something that distracts us from a necessary focus on the hostile essence of the Soviet system. The rest of us, however, are prepared to see what's there.

The Washington Post.

Middle East: Zigzagging Toward a Pragmatic Arab Consensus?

By Jim Hoagland

WASHINGTON — When Soviet Ambassador Anatoli Dobrynin bounded into the crowded reception hall of a Washington residence the other day a few moments after Secretary of State George Shultz had arrived, it was a moment full of symbolism and portent for the changing American and Soviet roles in the Middle East. Mr. Dobrynin quickly closed in on Mr. Shultz and the beaming host of the evening, Iraq's Deputy Prime Minister Tariq Aziz. The team of official Iraqi photographers standing nearby blazed away with flashbulbs as the three men smiled and joked.

The photograph of Mr. Dobrynin seemingly blessing that moment of American diplomatic success is a windfall for the government in Baghdad as it seeks to explain at home its decision to resume full diplomatic ties with the United States after a 17-year rupture marked by bitterness and open opposition by Iraq to any kind of American role in the Middle East.

Iraq will stay heavily dependent on the Soviets for military supplies, and it is likely to maintain its radical opposition to American policies on many Third World and Middle East issues. But Baghdad's decision to resume U.S. ties appears to challenge a fundamental Soviet assumption — that American support for Israel and opposition to Palestinian nationalism would irreversibly alienate Arab nationalist governments and give the Soviets an enduring strategic advantage in the region.

Iraq's decision underscores a new reality in Arab politics that has been taking shape in the past four years. Israel and the Palestinians have ceased to be determinant issues for Arab-U.S. relations, at least for the time being. That combination has been eclipsed by more pragmatic national concerns in Egypt, Jordan and Iraq.

Without stating that conclusion in such stark terms, Mr. Aziz echoed its premises in a reflective recounting of Iraq's decision to resume full relations. He said there have always been "two keys to open the door of good relations: one the American-Iraqi key, and the other the American-Arab key." Iraq's position was that "if you start with the first key, the door will be open. If you use the second key, it will open widely."

"The primary concern for any country has to be the national patriotic concern," he said.

Willingness to separate national from Arab concerns is a reversal of the feeling that swept through the Arab world in June 1967 when Israel destroyed three Arab armies. Reacting in anger and refusing to accept that small Israel could have beaten them so easily, many Arab nations broke diplomatic relations with America and turned to the Soviets for increased military supplies and diplomatic support. Virulent anti-Americanism swept the Arab world.

That tide has been ebbing since 1973, when the Egyptian and Syrian armies launched a surprise war against Israel and accepted American mediation to end it. Now, following in the wake of Egypt, Syria, Algeria and others, Iraq has become the last major Arab nation to restore the ties broken in 1967. It did so without getting the diminution of U.S. support for Israel that it repeatedly demanded in the 1970s.

Iraq's continuing discussions with Washington over building a new oil pipeline that would help increase war-damaged production by up to 3.2 million barrels a day in the next two years also suggests a new emphasis on economic factors in the Arab world that is likely to favor American interests over Soviet goals.

Diverse forces have led to the search among key Arab nations for a new consensus that accords a lower priority to Israel and the Palestinians. They include the oil glut, the bloody stalemate in the Iran-Iraq war, the rise of religiously inspired terrorism out of the Khomeini revolution in Iran and two consequences of Israel's 1982 invasion of Lebanon: Israel's success in destroying the PLO's base in Lebanon, and Israel's failure to pacify and occupy southern Lebanon, where for the first time Arabs view themselves as waging a successful war of attrition against Israeli forces occupying Arab territory. That the Arabs whose guerrilla attacks are pushing Israel back to its border are Lebanese Shiites, and not Palestinians, is widely noticed throughout the Arab world.

All of this does not add up to a significant turn toward "moderation" by former Arab radicals, nor to a necessarily enduring trend. The change is circumstantial, having to do with domestic realities and a regional imbalance that will be difficult to translate into any new regional peace initiatives. Iraq is concerned with balancing the even more radical axis of Syria, Libya and Iran, and not with joining Egypt and Jordan in a search for peace with Israel.

The Reagan administration appears to recognize this new balance. Indeed, one of the changes that has made it possible is a quiet shift in U.S. policy emphasis in the past six months.

In the energy crisis atmosphere of the 1970s, U.S. policymakers argued that America could not secure binding relationships with the Arab oil producers without making significant headway in the Israeli-Palestinian conflict.

In its first three years the Reagan administration aggressively sought to disprove that notion in efforts ranging from "strategic consensus" to enforcing the May 1983 peace agreement between Lebanon and Israel. But after the disastrous loss of American life in Beirut and an aborted military confrontation that built Syria up as the Arab world's strongest power, Washington pulled back and began to respond to individual national concerns within the region. This has proved an effective short-term policy.

Still, recent Middle Eastern history suggests that the region does not tolerate an immobile American role for very long, and will find ways to scramble all assumptions yet again.

The Washington Post.

Twenty-One Years Later, The Wound Has Healed

By Joseph Kraft

WASHINGTON — A significant event did not take place on Nov. 22. There was no public ceremony for the anniversary of the 1963 assassination of John F. Kennedy. So, 21 years later, the specter of the martyred leader has at last been laid to rest.

A national wound has been closed, and it is instructive to see how the healing took place.

Time, as usual, served as the great obliterator. Much of the present U.S. population was unborn in the Kennedy era. In the interim television has accelerated the velocity of mere happenings. Serious attention to the past, a subject not nourished by television, has declined. Events once vivid — the Bay of Pigs, the Cuban missile crisis, the assassination — are as distant to most Americans as Appomattox. A young woman who came to rearrange some books recently asked me, "Just who was in the Cold War?"

Bitterness, the force that keeps memories greenest, has faded away among those who do remember. Lyndon Johnson emphasized continuity with his predecessor; publicly, at least, his supporters followed their leader. So the first nasty criticism openly made of John Kennedy came from Nixonites.

Their aim was to drag down a hero of the past in order to make the foul deeds of Watergate seem prosaic, a kind of thing all presidents did. Those slurs were resented, and not wrongly. If nothing else, John Kennedy cared too much about his own skin to have been dragged into such long-term losers as Watergate or, for that matter, Vietnam.

Less partial historians have entered the picture and verified the warts. The best-seller "The Kennedys," by Peter Collier and David Horowitz, is not free of flaws. Like their book on the Rockefellers, it relies on the view of young adults about parents and grandparents. But it shows self-advancement, getting even and philanthropy to be almost compulsory family duties. No serious person can now believe in the legend of Camelot.

By the same token, the genuine achievements stand out. The deliberate use of tax cuts to counter downturns in the business cycle remains a historic first. The missile crisis (sloppily resolved, and more provoked by threats against Fidel Castro than is generally supposed) continues to exemplify cool use of power in a deadly confrontation. The nuclear test ban treaty provides a classic case of presidential leadership to force action for peace upon a divided administration.

A premonition that the Kennedy era was about to be seen plain emerged at the elaborate ceremonies for the 20th anniversary of the assassination. Edward Kennedy led a church service that included practically all the sisters and the cousins and the aunts, as well as many friends. President Reagan came. The tone was less mournful than joyous. Later somebody said, "That was the last funeral."

Mr. Reagan has clearly played a role. A perceptive French scholar, Michel Crozier, has observed that the assassination attempt on Mr. Reagan in 1981 somehow canceled out the Kennedy assassination. I do not quite get that logic, but as a description of the train of thought followed by the public mind it seems not implausible.

Surely Mr. Reagan has closed the parenthesis opened by the Kennedy assassination in other ways. His repeated citation of Mr. Kennedy for his courage and his tax cut annoyed some people. To stop the practice they unearthed the letter to Mr. Nixon in which Mr. Reagan likened John Kennedy to Marx and Hitler. But Mr. Reagan went right on appropriating the Kennedy name.

With no bad effect. What was a partisan cult has now been integrated, however dimly, into the national conscience. If Ted Kennedy decides to seek the presidency in 1988, as he may, he will not be merely the candidate of his family and friends.

Tocqueville once observed that a nation can die from knowing too much history. Not the least of America's national blessings is a knack for putting the past behind it. The burden of the Kennedy years has been particularly hard to bear, so if the load is now a little lighter, we can all heave a sigh of relief.

Los Angeles Times Syndicate.

LETTERS

Elections in Nicaragua

The Washington Post editorial "Elections in Nicaragua" *(IHT, Nov. 2)* indicates an extraordinarily shallow understanding of the voting process there. I am executive director of an inter-faith lobbying group, National Impact. I recently returned from visiting Nicaragua, and I now know a different story.

The Sandinist National Liberation Front had put every effort into ensuring a free and open election. Arturo José Cruz backed out of the process at the last minute, and it is universally known that he was under CIA pressure to do so. That Virgilio Godoy Reyes, leader of the Independent Liberal Party, also dropped out was unfortunate. But the Post neglected to mention that 24 hours before withdrawing Mr. Godoy met the U.S. ambassador in Managua. One may safely assume that Ambassador Harry E. Bergold did not urge Mr. Godoy to stay in the race, for it was held to be in the U.S. interest to make the elections look lopsided and "undemocratic." That such was seen as the U.S. interest testifies to the absurdity of U.S. foreign policy in Nicaragua.

The Nicaraguan elections were organized by the independent Electoral Commission in consultation with Swedish experts. A 47-page manual of instruction was sent to all polling places explaining in detail the process of voting. Excluding Mr. Cruz and Mr. Godoy, there were six candidates and parties to choose from.

(Continued on Page 5)

U.S. Will Press Pinochet On Vote as Way to Avert 'Another Nicaragua'

By Bernard Gwertzman
New York Times Service

WASHINGTON — The Reagan administration has concluded that the United States should make a maximum effort to prevent Chile from turning into "another Nicaragua," according to administration officials.

The officials, in interviews on Saturday and earlier last week, said that the developments in Chile, including the state of siege declared Nov. 6 by President Augusto Pinochet, had produced serious concern throughout the administration.

They said that there was a consensus after a monthlong review of the situation to try to bring about mediation that could hasten a transition to democracy in Chile. The mediator, they said, might possibly be the Vatican, other Latin American countries or even the United States.

The United States has few ways to bring pressure on Chile, the officials said. There is no U.S. economic or military aid program to Chile because of its past human rights record, although the Reagan administration has gone to some lengths to establish a working relationship with General Pinochet.

Jeane J. Kirkpatrick, the chief U.S. delegate to the United Nations, visited Chile and met with General Pinochet. So did Vernon A. Walters, the American ambassador-at-large.

Under the constitution approved in 1980, General Pinochet would rule until 1989, when a process toward elections could begin, but he could be named to serve even after 1990. The democratic opposition has been pressing for an earlier move to elections and an immediate end to his rule.

The administration officials said the review in Washington had been frustrating. As reasons, they cited what appear to be uncompromising attitudes taken both by General Pinochet, whose increased use of repression has lost him support from civilian conservatives, and by the civilian opposition parties, who cannot agree on a program beyond demands for the president's resignation.

"A pox-on-both-your-houses view developed," one official said. "We decided that both are to blame, and one thing we're not going to do is just swat Pinochet on the head. That won't do it."

As a result of the review, which involved the White House, the State Department, the Defense Department, the Treasury Department and the Central Intelligence Agency, the officials said there was a consensus not to appear to take sides in Chile. Instead, there was sentiment for putting maximum pressure on the Chilean government and the opposition to show flexibility and end what seems to be a worsening situation.

The U.S. goal, officials said, is to get the military and civilians in Chile to realize that the growing split only helps the radical left, including the Moscow-aligned Communist Party, and could make Chile what several officials called "another Nicaragua," ruled by a leftist group similar to the Sandinist National Liberation Front.

General Pinochet, in declaring the state of siege and in retreating from promises to encourage talks with the opposition, has asserted that he has done so to crush communist terrorist efforts to bring about anarchy. He has pointed to several hundred bombings and other terrorist acts as evidence of his concern.

According to administration officials, the United States agrees with General Pinochet that the Soviet Union and Cuba are helping to finance and train subversives who have been infiltrated into Chile in recent years, and that terrorism is a genuine threat.

But they said they disagreed with what they regarded as excessive use of force by the 69-year-old general and his seeming refusal, despite assertions of wanting a return to democracy, to give up power.

As a result of the review, the administration decided to increase high-level contacts with Chileans in the government and in the opposition to try to bring about compromise.

A senior State Department official, James H. Michel, principal deputy assistant secretary for inter-American affairs, arrived in Santiago on Friday. He met with General Santiago Sinclair, who is the chief of staff to General Pinochet, and had lunch with political opposition leaders.

"His message was that we want them to take some constructive steps to help themselves before it is too late for us to help them," a State Department official said. "We told them that we're not laying blame for the impasse on anyone. It is shared all around."

■ Chile to Draft Women

Chile's government has ordered women drafted into the armed forces as part of an extraordinary call-up of conscripts and reservists to help fight terrorism and political unrest, The Associated Press reported from Santiago.

The move Saturday to expand the military followed a week of anti-government protests that were contained by army patrols reinforcing police in major cities.

A decree published Saturday in the Official Bulletin said men and women born in 1965 would be drafted immediately for two years of service in the army, navy and air force.

3 Rights Groups Ask U.S. to Exert Pressure on Haiti

New York Times Service

NEW YORK — Three human rights groups have asked the U.S. State Department to refuse to certify Haiti in the department's annual review of human rights unless violations they reported there are ended.

The State Department delivers its annual review of human rights to Congress at the beginning of each year. Countries must be certified as having a good record to receive United States aid. Last year Haiti got $46 million in U.S. economic aid.

In a letter to Secretary of State George P. Shultz last week, the groups said the Haitian government had detained more than 100 businessmen and agronomists for a month without charges.

The rights groups — Americas Watch, the Lawyers Committee for International Human Rights, and the National Coalition for Haitian Refugees — said the arrests coincided with the presidential election last month in the United States.

They said a letter from Mr. Shultz to Haiti's government was necessary "to dispel any false impression by the Haitian government that U.S. concern with human rights will diminish following the re-election of President Reagan."

The Associated Press

BOLIVIANS ON STRIKE — Indian peddlers demonstrated in La Paz during a nationwide general strike. Bolivia's labor movement continued to press its demands for price controls and wage increases to counter the country's 1,500-percent inflation rate.

In Latin America, 8 Democracies Signal Tilt Away From Military Rule

By Alan Riding
New York Times Service

RIO DE JANEIRO — In the late 1970s, 13 of Latin America's 20 republics were governed by generals, Haiti was ruled by a family dynasty and a Communist dictator was in power in Cuba. Democracy seemed headed for extinction.

Then the trend changed.

On Nov. 25, Uruguay became the eighth Latin American country since 1980 to elect a civilian president and Brazil and Guatemala are expected to follow suit next year. Now only Chile, Paraguay and Haiti are firmly in the grip of rightist dictators.

The Reagan administration has claimed partial credit for this turnaround. Since the U.S.-led invasion of Grenada last year, no civilian government has been deposed in the region during the president's first term. Vice President George Bush has attended the inaugurations of a succession of newly elected governments.

Also, during the past two years the United States has blocked coups planned by army officers in El Salvador, Honduras and Bolivia.

In several cases the impetus for civilian rule was provided by President Jimmy Carter's human rights policy. In others, military regimes preferred that civilians deal with acute economic crises. In Argentina, the army was defeated both politically and militarily in the Falkland Islands war with Britain.

Further, the "new democracies" demonstrate the cyclical nature of Latin American politics. Only a few countries — notably Mexico, Costa Rica, Colombia and Venezuela — have democratic institutions with proved resilience. In several nations, the army hovers in the background, viewed as a "solution" of last resort.

Already, in Peru, one of the first of the new group of democracies, a surge of leftist insurgency has drawn the armed forces into politics anew.

In many cases, the democracies that began tumbling after the 1964 coup in Brazil had themselves replaced dictatorships. But they failed to withstand the pressure for change posed by leftist guerrillas.

The resulting disarray was such that military takeovers were usually welcomed. In some cases, armies promised to crush guerrillas, restore order and stimulate growth, objectives they achieved over the short term. By 1976, all eight countries south of Colombia and Venezuela had a general in the palace.

What distinguished this spate of authoritarianism was that military institutions rather than old-style dictators were in power. Only President Augusto Pinochet of Chile kept alive the tradition of Nicaragua's Somoza family, Cuba's Fulgencio Batista and the Dominican Republic's Rafael Leonidas Trujillo.

A turning point came when President Carter began criticizing human rights abuses by the region's dictatorships. The first result was a souring of their relations with Washington. But, during Mr. Carter's administration, Peru, Ecuador, Honduras, Panama, Bolivia and Brazil took steps toward civilian rule.

NEWS ANALYSIS

U.S. pressure was not the only factor. In many countries, military regimes had lost their initial popularity. Leftist guerrilla movements had been dismantled, eliminating the "need" for suspension of political rights. Corruption, an often-cited reason for coups, also had blossomed, as army officers reaped the harvests of heavy government spending.

Finally, the sudden increase in interest rates and the suspension of new credits after Mexico's 1982 financial slump thrust the entire region into its deepest economic crisis since the 1930s.

Since 1980, in rapid succession, the military regimes in Peru, Ecuador, Bolivia, Honduras, Argentina, El Salvador, Panama and now Uruguay have all called elections, while those of Brazil and Guatemala will do so next year.

Most switches to civilian rule have taken place during the Reagan administration. Washington's interest, however, has focused on Central America, where elections have helped isolate El Salvador's guerrillas. In contrast, the United States has applied little pressure on Chile or Paraguay to call free elections.

The idea of democracy is nevertheless infectious, with the example of Argentina contributing to the political "openings" in Brazil and Uruguay and to the atmosphere of protest in Chile.

Further, with the continent's major powers — Brazil, Mexico, Argentina, Colombia and Venezuela — all to be under civilian rule next year, fear of isolation may dissuade armies in smaller countries from seizing power.

But the new democracies face the challenge of proving their viability under difficult conditions. Many incoming governments hoped democracy would be "rewarded" with large injections of U.S. aid and easier debt-repayment terms. Instead, they have been forced to adopt economic policies not dissimilar to those of the former dictatorships.

For the moment, the prospect of inheriting unmanageable crises is said to hold little appeal for most military officers. But Latin American history indicates that armed forces usually seize power at the prompting of public opinion.

Beijing, Moscow Sign Agreement To Increase Trade

Reuters

BEIJING — China and the Soviet Union have signed an agreement in Moscow aimed at increasing their bilateral trade to 3.6 billion Swiss francs ($1.4 billion) in 1985, the official Chinese news agency Xinhua reported Saturday.

China and the Soviet Union agreed in February on a 1984 target of 2.6 billion Swiss francs. The agency said the new accord, which comes before an expected visit to Beijing later this month by Ivan Arkhipov, a Soviet first deputy prime minister, provided for a 35.7-percent increase in trade volume.

Xinhua did not say what the new trade agreement would cover, but in the past the Chinese have said they take steel, metals, timber, chemical fertilizers, cement, vehicles, machinery and equipment from the Soviet Union.

The Soviet Union imports nonferrous metals, frozen and canned meat, vegetable oil, soybeans, raw silk, fabrics, cotton, textiles and consumer items from China.

At UNESCO, Some Talk of M'Bow Being Replaced

By Paul Lewis
New York Times Service

PARIS — Some Western delegates to UNESCO say the possibility of replacing the agency's director-general, Amadou Mahtar M'Bow, is being discussed by several member governments.

The delegates say they believe that finding a new director could offer the best way of resolving the crisis at the United Nations Educational, Scientific and Cultural Organization and of convincing the United States to return if, as expected, it withdraws from UNESCO at the end of the year.

The members of the European Community are to make a final appeal soon to the Reagan administration to remain in UNESCO for another year and work for changes in the policy and administration of the agency. The United States has charged that the agency has an anti-Western bias and is badly managed.

Britain, which has announced plans to leave UNESCO in a year unless there are changes beyond those already made, warned its partners that an appeal to the United States would be futile unless other European nations threaten to leave in 1985 as well.

The Western delegates argue that UNESCO has made progress this year toward improving efficiency and shedding ideologically biased activities.

Under a new director-general enjoying the confidence of the Western members, they say, UNESCO could quickly agree to enough additional policy changes to satisfy Britain and return the United States to full membership.

Some African and other Third World nations also appear to be distancing themselves from Mr. M'Bow, who has said he will not resign before the end of his term in 1987.

Immediately after Britain announced its intention in mid-November to give the required year's notice before quitting, sources in the agency's secretariat said Mr. M'Bow, who comes from Senegal, asked for and received a public vote of confidence from the organization's African members.

But he was not given a similar show of support that he requested from the Latin American and Asian members.

Secretariat sources say that, despite the African vote of confidence, several African delegates have privately warned the director-general that he may not be able to serve out all of his term.

French officials have sounded out U.S. officials about whether the United States would reconsider its decision to leave if another director-general could be found in whom it had more confidence.

Possible successors mentioned by these French officials include Kenneth K.S. Dadzie of Ghana, a former UN director-general for international economic affairs; Tommy T.B. Koh, Singapore's ambassador in Washington and former chairman of the Law of the Sea Conference; Misael Pastrana Borrero, a former president of Colombia; and Pierre Elliott Trudeau, a former prime minister of Canada.

Others mentioned in Western circles are Yasushi Akashi of Japan, the UN undersecretary general for public information; Malcolm Fraser, a former prime of Australia; and Dr. Rolf Dahrendorf of West Germany.

DOONESBURY

Prince Hubertus Löwenstein, Anti-Nazi Leader, Is Dead

New York Times Service

NEW YORK — Prince Hubertus zu Löwenstein-Wertheim-Freudenberg, 78, a German historian and political figure who was an early opponent of Hitler and, as a refugee, helped arouse Americans against Nazism, died Wednesday in Bonn of heart failure.

A member of the West German parliament in the 1950s, he wrote more than 40 books, including "The Germans in History" (1945) and "NATO and the Defense of the West" (1962). He also was a prominent Roman Catholic layman and was decorated by Pope John XXIII for work toward reconciliation between the Roman Catholic and Greek Orthodox Churches.

■ *Other deaths:*

Stephen M. Young, 95, a Democrat from Ohio who was the oldest member of the U.S. Senate when he retired in 1971, Saturday of a blood disorder in Washington.

Creighton Churchill, 72, a wine consultant and author who was asked by President Lyndon B. Johnson to select American wines for U.S. posts throughout the world, Thursday of cancer in Woodstock, Vermont.

Constantine Aslanidis, 64, one of the leaders of the 1967 military coup that governed Greece until 1974, Thursday of cancer in Athens.

CIA Chief's Nicaragua Role Reported

The Associated Press

WASHINGTON — Senior officials of the Central Intelligence Agency, including its director, William J. Casey, decided at a mid-1983 meeting to provide Nicaraguan rebels with psychological warfare training, a step that led to the writing of a manual advising how to carry out assassinations and other violence, according to U.S. government officials.

The officials, who spoke on the condition they not be identified, said the role of Mr. Casey and other top officers is not cited in a still-secret CIA inspector general's report that urged disciplining six mid-level agency officials.

The officials said there was no evidence that Mr. Casey and other top CIA officers had approved the manual, which advised the rebels on "selective use of violence."

LETTERS TO THE EDITOR

(Continued from Page 4)

Everywhere one traveled in Nicaragua just prior to the election, huge posters advertised these and other political parties. It is interesting to note that the Sandinist Front (FSLN) competed with at least two parties to the left of itself and is *not* supported by the Soviet Union.

The government of Nicaragua is struggling mightily against overwhelming, often hidden enemies. That the Nov. 4 elections were not postponed is a measure of the confidence it has that it is a legitimate government of, by and for the people. Imagine if the United States postponed its elections because a minority party dropped out.

The Reverend CRAIG BIDDLE.
Washington.

The editorial presents a distorted view of the situation. The Nicaraguan government arranged to hold elections sooner than scheduled because of U.S. pressure to do so, and it went to great lengths to establish a democratic electoral procedure. The Council of State sent delegations to 15 nations, including the United States, to study and learn from their electoral procedures. Experts in international law have assured Nicaragua that theirs is one of the most just and democratic electoral laws ever written.

To argue absurdly that the electoral process is meaningless because several parties refused to participate is to ignore the government's carefully crafted procedure. Why is it that the six parties that participated, as well as all the Nicaraguan people with whom I talked, view these elections as democratic?

But it is the editorial's analysis of Nicaragua's military situation that is the most dangerously misleading. Nicaragua is not engaged in "civil war," but is being attacked along its borders by forces drawn from the late General Somoza's National Guard, organized and financed by the CIA. To say that "American pressure" has moderated "Sandinist militancy" is to reverse the truth: Increasingly, Nicaragua's people have been forced to fight at the borders because of U.S. support for the contras.

NAOMI THIERS.
Washington.

Language and Insight

In response to the report "After Years of Decline, Foreign Language Study Revives in U.S." (Oct. 31):

It is the responsibility of any nation, but particularly one with the power of the United States, to be well-informed about the rest of the world. The lack of interest in foreign languages among Americans has therefore always been deplorable, and it is heartening to read that things now are changing.

Central America is a case in point, where it is obviously difficult to understand a complex situation. If more North Americans spoke Spanish, the possibilities of understanding Central America in its own terms, rather than in U.S. terms, would increase. It would be easier to show the world that the United States is interested in Central America as Central America, not just as a U.S. backyard.

PETER ADLER.
Stockholm.

On Trudeau on NATO

In response to the report "Trudeau Asserts NATO Skirts Issues" (Nov. 15) by Don Oberdorfer:

Any large alliance of free governments is difficult to keep on track toward a common objective. Is it not enough to decide on this common objective and then debate the best way to get there? The members of the alliance must be able to discuss the objective and paths toward it without digressing to the more esoteric and obviously more debatable issues of war and peace. These debatable issues are obviously attractive to a parliamentarian of Pierre Elliott Trudeau's stature, especially one who has a genuine personal desire to reduce the risk of war in the world. But such debate *risks swamping the boat.*

Mr. Trudeau brushes aside discussions of weapons uniformity and increases in national spending. He implies that these issues are unworthy of summit consideration. But such issues are of critical economic and political importance to the member nations and essential to the effectiveness of the alliance.

When the Carter administration initiated the Long Term Defense Program under the guidance of Special Ambassador Robert Komer, the Canadians were no more willing than the other governments to approve the increased spending required. In fact, a review of Canadian military participation in NATO under Mr. Trudeau's leadership will show decreases.

If such matters as a 3-percent increase cannot be achieved with NATO, what does an individual leader seek to achieve by raising broader and more divisive issues?

IRWIN PATTON GRAHAM.
Riyadh.

Romagna, Not Umbria

Regarding "Vatican to Open Two Exhibit Rooms" (Nov. 24):

Melozzo Da Forli was not an Umbrian artist. He was from Forli, in Romagna, and was the leading artist of the "School of Romagna."

REMIGIO GRILLO.
Paris.

Letters intended for publication should be addressed "Letters to the Editor" and must contain the writer's signature, name and full address. Letters should be brief and are subject to editing. We cannot be responsible for the return of unsolicited manuscripts.

International Bond Prices - Week of Nov. 29

Provided by White Weld Securities, London, Tel.: 623-1277; a Division of Financière Crédit Suisse-First Boston
Prices may vary according to market conditions and other factors.

RECENT ISSUES

Amt	Security	Str/Conv	Issue Pr.	Mid Pr.	Yield
nkr 250	Norsk Data	10¾ % '89 Dec s	100¾	102	10.22
$ 100	Macy Credit Corp	11¾ % '95 Feb s	100	98¾	11.95
dm 200	Council Of Europe	7½ % '94 Dec s	100¾	100	7.50
$ 100	Kimberly-Clark	12 % '94 Dec s	100	101½	11.74
cn$ 50	Toronto-Dominion Bank	12¾ % '89 Nov s	100	99½	12.57
dm 250	Philips Gloeilamp W/w	3½ % '91 Dec s	100	101¼	3.30
$ 150	Merrill Lynch Co X/w	12½ % '94 Dec s	100	99½	12.58
$ 300	Fed National Mort Ass	11½ % '91 Dec s	100	98¾	11.77
dm 100	South Africa Transpor	7¾ % '92 Nov s	99½	98½	7.88
$ 75	Pacific Gas Electric	12 % '92 Jan s	100	97¾	12.48
$ 100	Nomura Europe	12½ % '91 Dec s	100	98	12.57
$ 50	Star Mfg	3½ % '00No c	100	89½	4.46
dm 100	Soc Centr Nucleaires	7¾ % '94 Nov s	99½	98½	7.59
$ 100	Wells Fargo Co	12¾ % '91 Dec s	100	97¾	13.17
$ 75	Finland	12¼ % '94 Nov s	99½	101	12.07
$ 150	Chrysler Financial Co	13¼ % '94 Nov s	100¼	101½	12.97
dm 600	Australia	7¼ % '96 Nov s	99½	99	7.38
$ 100	Saskatchewan Province	11¾ % '89 Nov s	100	100½	11.73
$ 100	Bank Of Tokyo Curacao	12¾ % '92 Jan s	100	99½	12.71
$ 150	World Bank	12¼ % '94 Nov s	100	102¾	11.76
$ 100	Chesebrough-Ponds	12 % '93 Jan s	99¾	100	11.98
$ 100	Credit Suisse Fin X/w	11¾ % '92 Feb s	100	98½	12.05
$ 100	Ibm Credit Corp	11 % '89 Dec s	99¾	100¾	10.80
cn$ 100	Brit Columbia Provinc	12¼ % '91 Nov s	100	102½	11.71
dm 100	Eec Europ Econom Com	7½ % '96 Nov s	100	100¼	7.47
$ 100	Coca-Cola Company X/w	11¾ % '88 Nov s		101	11.65
cn$ 30	Ottawa-Carleton	12½ % '94 Dec s	100	100½	12.41
$ 75	Suncor Inc	12¾ % '91 Nov s	100	102	12.18
$ 100	Mitsubishi Fin(bk) x/w	12¾ % '89 Nov s	100	102½	11.92
$ 75	City Federal Savings	s	99¾	102¾	11.80

STRAIGHT BONDS
All Currencies Except DM

Amt	Security	%	Mat	Middle Price	Yield Mat	Yield Ave Life	Yield Curr
	AUSTRALIA						
$ 25	Australia	5½	'85 May	98½	9.13	9.15	5.58
$ 25	Australia	5¾	'85 Nov	96	10.58	10.51	5.99

AUSTRIA

BELGIUM

CANADA

DENMARK

FINLAND

FRANCE

GERMANY

GREECE

ICELAND

IRELAND

ITALY

JAPAN

LUXEMBOURG

MEXICO

MISCELLANEOUS

NETHERLANDS

NEW ZEALAND

NORWAY

PORTUGAL

SOUTH AFRICA

SOUTH AMERICA

SPAIN

SUPRANATIONAL

Amt	Security	%	Mat	Middle Price	Yield Mat	Yield Ave Life	Yield Curr
£ 50	Eib Europ Invest Bank	11¾	'91 Aug	103¾	11.01		11.38
$ 100	Eib Europ Invest Bank	16¾	'91 Nov	114½	13.39		14.63
cn$ 80	Eib Europ Invest Bank	12¾	'91 Dec	100½	12.01		12.06
$ 80	Eib Europ Invest Bank	11¾	'92 Jan	92½	13.43		12.70
£ 50	Eib Europ Invest Bank	10¾	'92 Feb	97½	11.25		11.03
$ 50	Eib Europ Invest Bank	8¾	'92 Apr	81	12.88		10.80
y 15000	Eib Europ Invest Bank	8¼	'92 Jun	104½	7.44		7.89
$ 100	Eib Europ Invest Bank	15½	'92 Jul	111½	12.99		13.90
£ 25	Eib Europ Invest Bank	9¾	'92 Dec	93	11.11		10.48
$ 100	Eib Europ Invest Bank	8¾	'93 Feb	80	12.80		10.94
$ 200	Eib Europ Invest Bank	10¾	'93 May	94½	11.78		11.38
$ 100	Eib Europ Invest Bank	9¾	'93 Jul	87	11.57	13.03	10.49
$ 142	Eib Europ Invest Bank	11¾	'93 Oct	100¾	11.72		11.79
$ 100	Eib Europ Invest Bank	12¾	'94 Apr	105¾	11.80		12.17
$ 200	Eib Europ Invest Bank	13	'96 Aug	105¾	12.72	11.94	12.35
$ 75	Eib Europ Invest Bank	8¾	'96 Dec	78	12.50	14.59	11.38

SWEDEN

SWITZERLAND

UNITED KINGDOM

UNITED STATES AMERICA

HIGHEST YIELDS
to Average Life Below 5 Years

Amt	Security	%	Mat	Middle Price	Yield Mat	Yield Ave Life	Yield Curr
$ 35	Brazil	8¼	'87 Dec	81	16.81	24.59	10.19
$ 15	Ward Foods O/s Capita	5¾	'88 Nov	62½	20.57	22.56	9.20
$ 30	Montreal Metropol	5¾	'85 Feb	97½	21.40	21.62	5.77
$ 15	Montreal City	9	'85 Feb	98	21.20	21.37	9.18
$ 15	Venezuelan Telephone	8¼	'87 Dec	81½	16.44	21.11	10.12
$ 20	Colombia	8¼	'88 Feb	84	14.91	19.22	9.82
$ 50	Venezuela	8¾	'92 Oct	72	15.04	18.40	12.15
$ 3	Reliance Transcontine	7¼	'85 Feb	98	17.18	17.24	7.40
$ 20	Cassa Mezzogiorno	6	'85 Mar	97½	16.39	16.63	6.15
cn$ 25	Intl Harvester Credit	9¾	'86 Apr	92	16.56	17.29	10.60
fl 100	Charter Consolid O/s	7½	'87 Oct	82	15.82	16.52	9.15
cn$ 50	Montreal City	17	'89 Mar	105	15.24	15.84	16.19
ff 100	Rhone-Poulenc	7½	'87 Apr	89½	12.85	14.82	8.38
fl 100	Ciments Lafarge	7½	'87 Jul	88½	12.96	14.79	8.47

HIGHEST YIELDS
to Average Life Above 5 Years

Amt	Security	%	Mat	Middle Price	Yield Mat	Yield Ave Life	Yield Curr
$ 50	Dome Petroleum	10	'94 Jul	73	15.55	14.85	13.70
$ 100	Ecs Euro Coal & Steel	9	'96 May	75½	13.26	15.63	11.92
$ 30	Mexico	8¾	'91 Dec	78	13.83	15.32	11.22
$ 75	Eib Europ Invest Bank	8¾	'96 Dec	78	12.58	14.59	11.38
$ 50	Hudsons Bay	10	'94 Feb	83½	13.18	14.41	11.98
$ 50	Macmillan Bloedel	9	'92 Feb	80	13.51	14.05	11.25
$ 50	Caisse Nat Autoroutes	9½	'97 Mar	80	12.25	14.05	11.41
$ 50	Macmillan Bloedel	9¾	'93 Mar	80	13.36	13.97	11.56
$ 125	Michelin	10	'94 Aug	82½	13.29	13.89	12.12
cn$ 50	Canadian Utilities	17	'98 Dec	114	14.47	13.88	14.91
£ 22	Peugeot	14	'90 Aug	103½	13.04	12.99	13.53
£ 12	Rothschild Inv Holdin	14½	'98 Aug	106	12.91	12.90	13.68
cn$ 40	Royal Bank Of Canada	9	'92 Feb	85	12.23	12.78	10.59
cn$ 25	Brit Columbia Municip	11¾	'93 Jun	96½	12.40	12.48	12.18

HIGHEST CURRENT YIELDS

Amt	Security	%	Mat	Middle Price	Yield Mat	Yield Ave Life	Yield Curr
$ 130	Mexico	17½	'85 Mar	101½	10.79		17.24
$ 175	Mexico	18½	'85 Jul	109	3.95		16.97
$ 75	Pemex Petroleos Mexic	17½	'86 Nov	104½	14.60		16.75
$ 75	Ohio Edison Finance	17¾	'88 Oct	106	15.29		16.51
$ 75	Transcanada Pipelines	17¾	'88 Oct	108	14.81		16.44
$ 70	Northern Indiana Publ	17¼	'88 Oct	105	15.40		16.43
$ 100	Cssa Franc Matieres	12.35	'96 Nov	102	16.35		16.42
$ 60	Gulf States O/s Finan	17½	'88 Oct	107	14.92		16.36
$ 150	Cities Service O/s	17	'88 Sep	104½	15.28		16.27
cn$ 50	Nacional Financiera	17¾	'87 Mar	101	17.02		17.57
cn$ 10	Saint-Laurent	17¼	'87 Mar	102¾	15.87		16.87
cn$ 60	General Motors Accept	18	'87 Oct	107½	14.52		16.74
cn$ 60	Hudsons Bay	18	'87 Nov	107½	14.63		16.74
cn$ 40	Consolidated-Bathurst	17¼	'87 Feb	104	14.89		16.59

Amt	Security	%	Mat	Middle Price	Yield Mat	Yield Ave Life	Yield Curr
fl 150	Eurofima	9¾	'87 May	96½	11.37		10.10
y 10000	Eurofima	6½	'86 Apr	100¾	6.27		6.45
lfr 500	Eurofima	10½	'87 Oct	102	9.66		10.29
$ 40	Eurofima	8½	'88 Jan	89	12.98	14.41	9.55

ZERO-COUPON BONDS

(Continued on Page 18)

...From
Buil
to
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...Fro
Conditi
o Alum
Pro

...From
R
to Ca

Herald INTERNATIONAL Tribune
Published With The New York Times and The Washington Post

SAUDI ARABIA

A SPECIAL ECONOMIC REPORT

MONDAY, DECEMBER 3, 1984

Caution Pervades Banking Sector

By Kevin Muehring

LONDON — Few people question the severity of the liquidity squeeze in Saudi Arabia. For many in the kingdom's business community, short-term credits from commercial banks are crucial to winning some breathing space.

But there are increasing grumblings from the business community and some government quarters that the banks are far too gun-shy about extending fresh credits and thus are not playing their proper role in a developing economy.

Bankers have never been popular during economic downturns, as they tend to be the least generous or sympathetic when they are needed the most, but this is the nature of the credit market. The problem is especially acute in Saudi Arabia because it comes when so many newer Saudi companies — often undercapitalized and lacking management depth — as well as some bigger companies, are trying to restructure and adapt to a post-boom environment. Credit is often all that stands between them and insolvency next year.

The neighborhood banker in Jeddah or Riyadh will say that he is anxious to book new loans to rejuvenate a faltering income stream. There are revised projections at several banks of a 30-percent or larger fall in profit this year from last year's levels. Furthermore, there is plenty of money to go around: The consolidated ratio of loans to deposits held by the coyntry's 11 commercial banks was barely 55 percent by the end of the pilgrimage season in late September. This marks the traditional start of the business cycle, when lending would ordinarily pick up. This year, it has not.

The reason is a perception

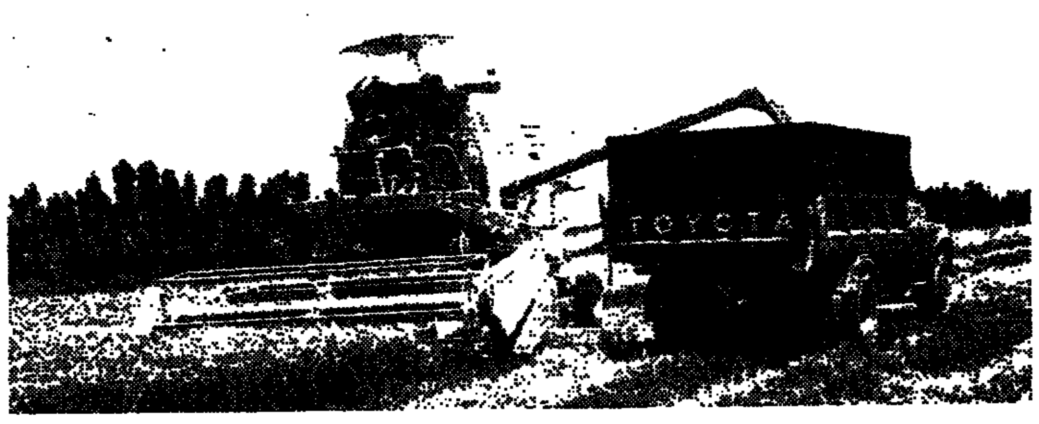
(Continued on Page 9)

Sygma

Student at Jeddah's King Abdel Aziz University.

Sygma

The Al Hasa Oasis, above, and harvesting Saudi wheat, below.



Oil Price Slump Brings Economy 'Back to Normal'

By Alan Mackie

RIYADH — Saudi Arabia could face difficulties in financing its budget deficit this year because of the continued, prolonged slump in the oil market. But the problem is hardly the kind that most countries face when running out of cash; the financial embarrassment will be strictly temporary.

Sitting on a quarter of the world's known oil reserves — oil is being found at a faster rate than it is being depleted — Saudi Arabia, in all likelihood, will be producing long after its Gulf neighbors have pumped their wells dry. It is a measure of the economy's intrinsic strength and of the basic soundness of the government's policies that it has taken this long for the prolonged squeeze to catch up with the kingdom's phenomenal spending boom.

Still, the underlying softness in oil prices is worrying, and the shortfall in revenue especially so, coming, as it has, at the tail end of the development cycle. The economy is slowing back down to "normal" speed, and a potentially difficult and bumpy patch could have been expected now in any case.

The prognosis for oil prices is not good. Hopes earlier this year that a gradual improvement in world demand would support the $29-a-barrel marker price for Saudi crude, which was agreed upon in March 1983 by the Organization of Petroleum Exporting Countries, were upset by the market's nervous reaction to the oil barter deal negotiated by the government for 10 Boeing 747s, and by the autumn price cuts triggered by Norway.

OPEC's meeting in Geneva the end of October showed what strains the organization is under — especially Saudi Arabia, as swing producer — to keep present price levels intact. Demand could pick up over the winter but stocks are at a record level and the kingdom's new implied production quota of 4.353 million barrels a day (4.1 million if temporary production agreements with Nigeria are included) means there is little chance of offsetting the dismal average production level of about 4.3 million barrels a day so far in the fiscal year that began in April.

For the full year production is unlikely to exceed 4.4 million barrels a day, leaving a 1.5-million-barrel-a-day shortfall on budgeted oil export sales. The planners face the possibility — assuming Saudi Arabia continues to underpin OPEC — of continued depressed production levels. Furthermore, every month brings closer a resolution of the Gulf war, which could tear OPEC's fragile unity apart by releasing a flood of extra production. Consequently, the fourth five-year plan, due in March, has been sent back to the drawing board to be scaled down.

The immediate problem facing the kingdom's financial managers is how to adjust for a possible shortfall of 50 billion riyals in oil revenue. Overall, the shortfall including investment income and nonoil revenue could be as high as 60 billion. Saudi budgeting is always extremely conservative, but it will be well-nigh impossible to achieve this order of savings from expenditure. Capital expenditure is the obvious candidate for pruning, especially as most projects pending fall in the second half of the year. But if authorities cut project spending much more, it could turn what they see as a healthy shakeout into a collapse that could lead to a string of bankruptcies.

On the other hand, if expenditures are not reduced, the actual deficit could be as high as 70 billion

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Planners Keep Eye on the Target: Industrialization

By Robert Holloway

RIYADH — Oilmen in Saudi Arabia like to tell the story of the foreign company that began drilling for fresh water for an industrial plant in Eastern province and at its first attempt struck crude oil that it did not need and could not use. However apocryphal, the tale is not implausible.

Since it became the world's leading oil exporter in the early 1970s, the kingdom has discovered more than three times as much crude as it has produced. According to government statistics, proven reserves of petroleum at the end of last year topped 166 billion barrels, one quarter of the world's total.

That fact dominates Saudi relations with the major U.S. and West European oil companies, which are playing an important part in the country's industrial development, in some cases helping set up competition for operations they have in other parts of the world.

Many oil exporters, including some members of Organization of Petroleum Exporting Countries, are likely to become importers by the turn of the century. But, even if not one drop more of petroleum were discovered, Saudi reserves would last for 56 years at the high average rate of output that has existed since the first major OPEC price increase in 1973-1974.

As the Riyadh representative of one oil major put it: "Once you have an entrée here you do all that you can to maintain it. The world is oversupplied with oil right now, but you go on lifting more Saudi crude than you need, or you cheerfully pay the contractural penalties for underlifting, because you are going to need that entrée the day when these are the only people left exporting oil."

That is, of course, overstating the case. Much more important, from the Saudi point of view, is the participation of the oil majors in developing the "downstream" side of the industry: refining and petrochemicals.

Mobil and Shell have helped set up export refineries, each with a capacity of 250,000 barrels a day, the former in the Red Sea port of Yanbu, the latter in Jubail on the Gulf coast. Mobil, Shell, Exxon, Celanese-Texas Eastern and a number of Japanese, Taiwanese and South Korean companies are involved in petrochemical joint ventures.

The Saudis resent the view — held by some other Arabs as well as those in the industrialized world — that theirs is essentially a backward nation made fabulously wealthy by a geological freak of nature. They regard the creation of

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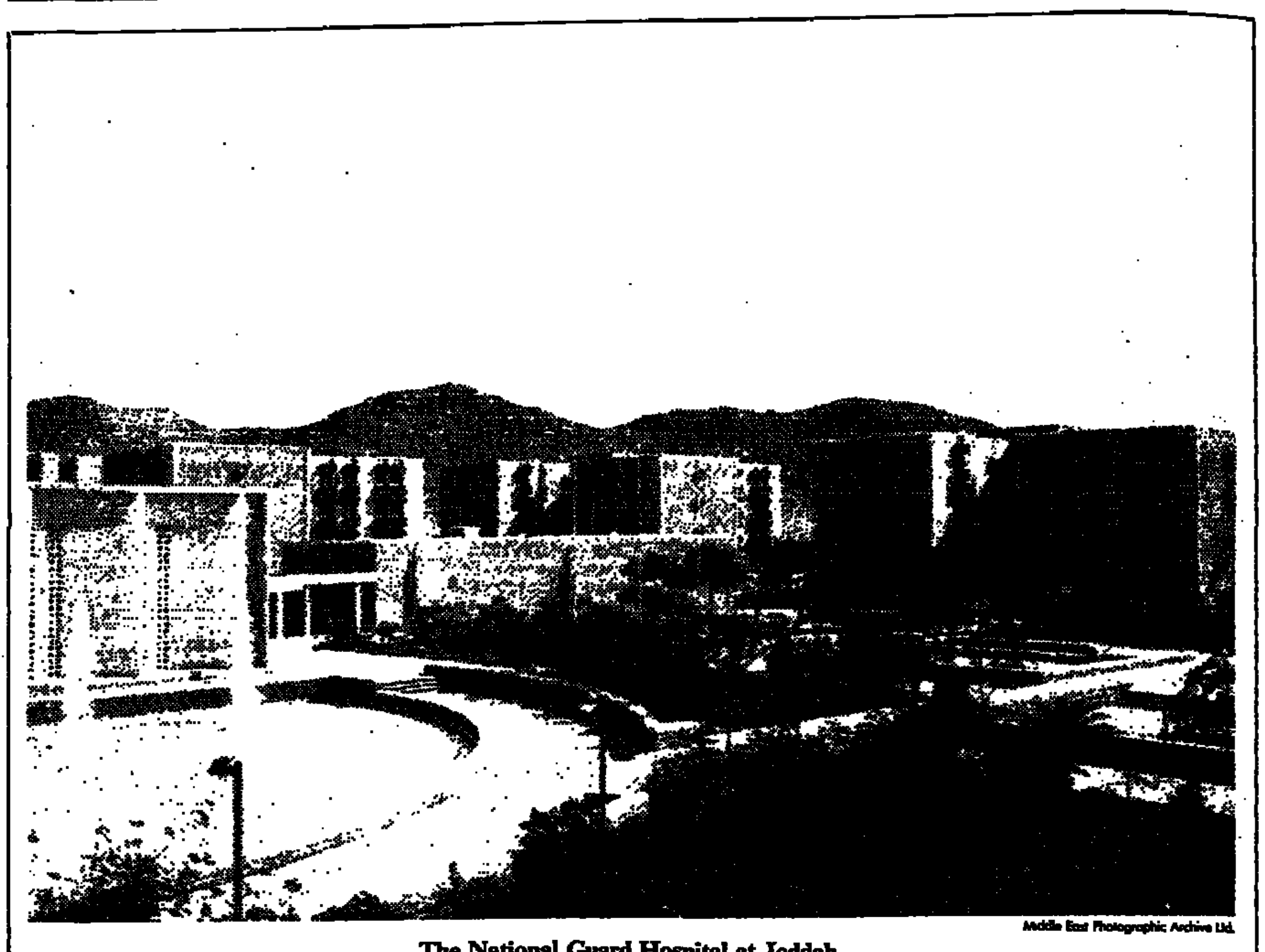

The National Guard Hospital at Jeddah.

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Slump Brings Economy 'Back to Normal'

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riyals against 45.9 billion projected in the budget. This would have to be made up from reserves. According to the Saudi Arabian Monetary Agency, the government drew down $17 billion (51 billion riyals) in calendar 1983. It could have to draw down a further $25 billion this year. This rate of drawdown cannot be sustained for long. The authorities could have to look elsewhere for temporary financing until spending settles at a lower level or the oil market picks up.

The minister of finance and national economy, Mohammed Abalkhail, hopes to minimize the deficit by cutting spending, but he concedes that this is not always easy. He also hopes for greater nonoil revenues.

The prolonged budget squeeze has accentuated the kingdom's diversification out of oil and its need to look for other sources of revenue. In 1982-1983 nonoil activities accounted for more than 50 percent of the gross domestic product for the first time. This year, as the oil sector has declined further, the figure could rise to 55 percent or higher. Gross domestic product is expected to fall again; in 1983, it dropped 8 percent to $115 billion.

Saudi imports are changing, and if barley imports had not doubled to six million tons last year because of the lack of rain, total imports would be down. The latest import figure, for 1982-1983, was 133 billion riyals. The trading sector was the first to feel the slowdown. The construction industry particularly suffered because it expanded well beyond the country's long-term needs. Now the slowdown is extending. Banking profits are sharply lower, and sectors such as mining, industry and agriculture are beginning to be affected.

The commissioning of petrochemical plants at Jubail and Yanbu in the next two years will have a dramatic impact, raising the domestic component of consumption from 15 percent to more than 20 percent. The shakeout has intensified the trend to greater "Saudiization," and foreign companies are being encouraged to enter joint ventures.

As the private sector is left to stand on its own feet, the crucial question is how well it will fare and whether the government will have the nerve to let the shakeout take its course. The official view, expressed by Mr. Abalkhail, is that the private sector has made more than enough profit to cushion it through the lean times ahead. The government, it is felt, has fulfilled its obligations in creating the physical and financial infrastructure for the private sector to take over.

Whether the credit institutions are in place to take up the strain of lending is debatable. The banks have been criticized for not being more adventurous in lending in the medium term. The downturn has left them with bad and doubtful debts that do not dispose them to take risks.

The banks' shaky legal basis under Islamic law makes them doubly cautious. The question of whether banks should be allowed to accept mortgages as collateral is being reviewed by the *ulema*, or religious scholars, and the Commerce Ministry has set up a special unit to consider the equally difficult question of insurance, which, like usury, is forbidden under Islamic law. The Saudi Arabian Monetary Agency's decision to issue Treasury bills earlier this year was an important development, but does not signal a general breakthrough on the interest question.

Another aspect of restructuring, which is particularly relevant to the vexing question of delayed payments, is the development of the administration's procedures and management. Part of the process of rationalizing expenditures has been closer review of tendering, contract awards and performance schedules. Putting untried systems into effect with untried staff was bound to create bottlenecks and delays, although payment delays have been used as a way of regulating government expenditure as well.

With the new procedures in place and working reasonably well, payments are becoming more regular.

Perhaps the most important restructuring is being forced on the government by the severity of the financial squeeze and the paramount need to find savings.

The introduction of open tendering was a crucial first step in this process, but events now could be forcing other equally salubrious changes.

Saudi Arabia's physical transformation in the last 10 years has been one of the modern wonders of the world. But there has, inevitably, been waste. Rows and rows of deserted apartment blocks in Jeddah and Riyadh, built at vast and unnecessary expense, attest to the faddish nature of some development.

Similarly, wheat self-suffiency has been won at enormous cost — both in subsidies to big business (which has often recouped its investment in 12 to 18 months), and in use of the kingdom's most precious resource, water — and has been of arguable value in settling Saudi Arabia's tribes.

Subsidies touch at the heart of the political/economic debate. They perform a useful social function in spreading wealth, so the broad package of subsidies will be maintained with only marginal changes. The recent rise in local gasoline prices to about a fifth of international levels is an example of the careful pruning that can be expected. But can and should the wealthy continue to be subsidized?

Observers will be watching the government's handling of the wheat subsidy for clues. More than two years ago, Mr. Abalkhail and the former ministry of industry and electricity, Ghazi al-Gosaibi, failed to win cabinet approval for a package of subsidy cuts, but times have changed. One Saudi businessman said: "They have to do something about it [the wheat subsidy], and they will. Large farmers have not been paid the subsidy for last year's harvest and small farmers haye only been paid 30 percent."

The financial squeeze, by identifying the vital importance of technology transfer and good management, has opened up unprecedented opportunities for building a solid base for Saudi Arabia's diversification out of oil. The technocrats in the government are well aware of the opportunities. It now depends on their political leaders whether the opportunities are seized.

The King Khaled Eye Specialist hospital in Riyadh.

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Planners Keep Eye on Target: Industrialization

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technologically advanced industries as a means of providing jobs and training for young Saudis in skills hitherto confined chiefly to the developed nations.

They also hope that these industries will begin to make the country more self-reliant and independent. Most Westerners remember the late King Faisal as the man who unsheathed the oil weapon; few realize that, even today, well over four-fifths of Saudi Arabia's nonmilitary imports come from the United States, Western Europe and Japan and that the total value of these, about $33 billion in 1982, corresponds to more than half the kingdom's nonoil gross domestic product. For military supplies, the Saudi rely almost exclusively upon a handful of Western nations.

The cornerstone of industrial development is the Saudi Basic Industries Corp., or SABIC, which, since its incorporation in 1976, has set up seven joint ventures and one wholly owned project in petrochemicals, two iron and steel companies, an industrial gas company and a joint venture in plastics. Five of these are operating and the others will start by the end of next year.

SABIC, which has capital of 10 billion riyals and has so far invested about 38 billion riyals in its projects, has started to go public and has sold 30 percent of its shares; demand was so high for the first issues that the government, despite its commitment to private enterprise and ultimate goal of relinquishing 75 percent of its control, does not plan to issue more shares before the end of 1985.

"Ours is a step-by-step philosophy," said SABIC's vice president and managing director, Ibrahim bin Salamah.

All the petrochemical plants use methane, ethane or ethylene (a derivative of ethane) as feedstock and it was initially planned to supply them with the "associated" gases that are a byproduct of crude oil production.

But because of long-term conservation policies that the industrialized nations began after the 1974-1974 OPEC price rises and the recession that followed the 1979-1980 price rises, Saudi oil output slumped from an average of 9.9 million barrels a day in the peak year, 1980, to little more than 5 million barrels a day last year. There was a corresponding drop in associated gas yields, which resulted early last year in widespread electricity failures in Eastern province.

Public utilities have a prior claim on natural gas supplies, and a $20-billion gas-gathering plan was rapidly put into effect, tapping the country's vast "dry," or nonassociated, gas fields; directors of SABIC projects say they no longer fear shortages in gas supplies.

The industrialization program has not been without its headaches. World demand for petrochemicals has slumped because of the recession and a number of European manufacturers have had to close. The huge Saudi plants due to start commercial production over the coming year will not find it easy to acquire markets, and accusations of protectionism are being thrown at the European Community.

SABIC has completed its first-generation, export-oriented plants and from now on is likely to embark solely upon small, local projects such as the manufacture of plastic pipes, taking private Saudi companies as partners.

There is no denying that Saudi Arabia has made considerable strides in the last decade toward becoming an industrialized nation. But sales of crude oil still dominate the economy, providing about $38 billion in the last fiscal year toward the total government revenue of $54 billion.

Last year's oil production was the lowest since 1970, when it first topped three million barrels per day, while the average price of Saudi crude, now $27.55 a barrel, is more than 17 percent lower than it was two years ago.

Few, if any, people believe the kingdom can meet its budget targets, or even come anywhere near doing so this year. The result will almost certainly be further cutbacks on industrial project spending.

Some would argue that this is no bad thing, provided it does not last indefinitely. "In the past," an observer in Riyadh of the Saudi economy said, "the economy was characterized by revenues that were systematically higher than forecast. Ministries found it quite difficult at times to actually spend the money they were allocated. Today, the reverse is true. One consequence is that the Finance Ministry is getting a tighter control. There is more serious approach to planning, and targets have to be met."

The fourth five-year development plan, which is due to begin March 22, is being revised to take account of lower projected oil output, sources say.

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Checking in at the International Terminal at Riyadh Airport, left; at right, inside the new King Khaled International Airport.

Development Bringing Change to Dammam and Eastern Province's Industry

DAMMAM — The Eastern Province has a very different feel from Riyadh or Jeddah. The scale and proportions of Dammam, the main regional center, are those of a small Gulf trading post that made its mark in the 1950s and early 1960s. Few buildings rise above four stories and there is an absence of the marble and fine stone that are the hallmarks of Riyadh's princely office blocks.

Traditionally, Eastern Province, where the majority of the kingdom's Shiite population resides, has been left to its own devices, very much the poor stepsister of the Nejd and the Hejaz regions when it comes to sharing out the state revenue, even though the kingdom's wealth derives from Eastern oil fields.

This changed after the disturbances that followed the November 1979 siege of the Grand Mosque in Mecca. Development funds have been more liberal since. A network of superhighways, a sports stadium and a new regional government complex (to house the court, which is to reside in Dammam for two months of the year, as it does in Taif each summer) attest to the spreading of the largesse.

In addition, the province boasts the new industrial city of Jubail, and within the next three years will have an airport to match Riyadh and Jeddah.

Yet, the local economy remains surprisingly regional, geared to Aramco's fortunes and the Gulf rather than the rest of the kingdom.

Aramco has been a focal point of industrial development both as a major customer of local industry — which it has nurtured through offering a 7- to 15-percent price advantage over foreign competition, providing the specifications and quality are right — and through its Local Industry Development Department, which has performed an invaluable service in nursing industrial development.

However, it is the local merchant families that have provided the backbone of investment, vying with one another like Renaissance princes to produce the biggest and the best.

The most diversified are the al-Zamil group of companies, controlled by about 10 brothers, who are mostly Western-educated and still in their 30s and 40s. The family hires Western expertise to set up plants but then tends to buy out its partners.

In contrast, the Rashids, perhaps because of their princely connections, take a far more patrician attitude to their operations. "The Rashids would not be interested in an SIDF loan except for fine tuning," one market observer commented, referring to the Saudi Industrial Development Fund. The Rashids prefer to invest in joint ventures and hire young, aggressive Western management to run them. Their business activites are heavily geared to Aramco.

The four or five Kanoo brothers prefer to leave the running of their business interests, still firmly based in the travel business and in trade, to British managers. They favor joint ventures but like to retain control. The al-Gosaibi group — facing a potential succession problem with the brothers Abdul Aziz and Ahmad now in their 60s and with no young family members coming up through the ranks — tend to have non-Western management. They run a mix of joint ventures and wholly owned subsidiaries.

The al-Qahtani group, controlled by Abdul Hadi and his three sons, are principally known for their pipe-coating subsidiary, one of the most impressive all-Saudi operations in the kingdom. Situated on two sites in Dammam with a total area of more than one million square meters, the Qahtani pipe-coating terminal can treat 4,400 kilometers of pipe a year, which makes it probably the biggest operation of its kind in the world.

Like other oil-service industries, Qahtani has felt the recession. Its production is down to 40 percent of capacity from a peak 60 percent. However, the company's unrivaled reputation for quality ensures it a steady stream of work, not only for the new east-west crude pipeline but for product pipelines and piping in refineries at the Jubail petrochemical complex and rigs.

Baroid Petroleum Services is similarly affected by Aramco's halving the number of drilling counts this year. It produces drilling muds, chemicals and drilling fluids. Aramco deals exclusively with the company and one competitor that each have a half share in the market. Water drilling has offered some scope for additional sales.

A stone's throw across from Baroid in the Dammam industrial estate is Saudi Arabia's only aluminum extrusion company. Alupco is trying to rationalize production, update equipment and bring in more automation in an effort to protect margins under threat from foreign products and a slowdown in market growth to about 3 percent a year. The company is also trying to create alternative runs for its extrusion plants and is diversifying product lines, producing aluminum lamp posts and guard rails.

Al-Zamil Refrigeration Industries has been going through a similar process of rationalization and consolidation. Demand for air conditioners has leveled off and may have declined slightly, said the director, Adeed al-Zamil. But the growth rate is expected to pick up again in the next two to three years. Al-Zamil Refrigeration is the only company in the kingdom producing central air conditioners and room conditioners as well as room conditioners, and it is using its expertise to develop chilled-water systems and fan coolers. Al-Zamil aims to provide one-third of the domestic market of 500,000 units a year and to take up the remaining annual capacity of 180,000 room conditioners and 12,000 central conditioners with sales to the Gulf. "We won't turn down sales [locally] but we won't invest in extra marketing" said Mr. Zamil. The message from all these companies is that the current downturn has to be used to retrench, consolidate, modernize and diversify if markets are to be maintained.

— ALAN MACKIE

Caution Pervades The Banking Sector

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among the prudent bankers of a far higher degree of risk. One cause of the banks' sagging profitability is the need for some hefty increases in general and specific loan-loss provisions, bankers say. Total loan commitments by commercial banks were at a virtual standstill, at about 59 billion riyals, from the 1983 pilgrimage season to 1984's, and are unlikely to have pierced the 60-billion barrier in the two months since.

One reason the banks are so cautious is the rapid transformation of the credit markets in Saudi Arabia in the last few years. Few banks adequately prepared themselves for the changes. Contract financing and import financing — previously the banks' bread-and-butter business, accounting for more than two-thirds of their loan commitments — have fallen off sharply or, at best, leveled off in the last two years. Loan demand from these sectors now takes the form of rollovers of existing credits to meet the unexpected cash crunch caused by the sudden downturn in public-sector contracts.

Among potential growth markets to replace the lost business in these traditional areas are the rapidly growing agricultural and industrial sectors. But whereas the traditional trade and contract financing entailed relatively few risks and little specialized expertise — it was geared toward established foreign companies or to entrenched merchant families with proven track records — both the new areas are considered high-risk, and few banks have the in-house expertise to assess the risk or viability of projects. Agriculture especially is considered risky because of the uncertainties surrounding the government commitment to continue its large subsidies.

This caution does not stop with the banks. The government's own Industrial Development Fund, SIDF, created to provide start-up financing for industrial concerns to help diversify the economy, has developed a reputation for a tough, no-nonsense credit evaluation process. Its project and credit evaluation department is considered among the best in the kingdom, however, and once a borrower receives the SIDF seal of approval he finds bank credit available, even on good terms.

The problem created by the scarcity of commercial bank credits is exacerbated by the lack of alternative sources of financing, especially for the medium- to long-term credits that would normally be available in the capital markets. No bond market exists in Saudi Arabia. The last riyal-denominated bond was issued six years ago, although Al-Bank Al-Saudi Al-Fransi recently acted as the agent bank for a dollar-denominated \$50-million floating rate note issued for the Bin Laden organization. Some banks have studied arranging corporate bonds and developing a secondary market, but for now, the Saudi Arabian Monetary Agency is lukewarm to anything not privately placed.

The kingdom does enjoy a fairly active market for new equity issues. Secondary market turnover is in the doldrums and prices have fallen on what few trades are registered by as much as a fifth in the last month. But new issues look to be at least twice oversubscribed, indicating a strong enough investor appetite to finance a Saudi company wishing to raise capital by going public. There are about 110 joint stock companies in the kingdom, capitalized at perhaps \$13 billion or more. There were 15 new issues last year and four so far this year, with one or two big issues expected by the end of the year. Coming to market in late November, for instance, are 4.5 million shares, priced at 100 riyals a share, of National Industries Corp.

But there is still a sharp disparity in investor attitudes toward primary and secondary issues, which limits the scale and depth of the stock market. The much smaller investors come in essentially for the primary issue to catch the potential windfall between the par and market price by selling quickly to selected brokers who put together syndicates of smaller investors. They then sell a block of the shares to the handful of major investors, who tend to hold them over the long term. There is thus little turnover in the secondary market.

The government is well aware of these shortcomings in the financial system, and is studying various proposals to correct some of the gaps. For instance, there have been proposals for some sort of system in which the government could provide guarantees to support loan requests by small to medium-sized borrowers.

SAMA has shifted the emphasis of its policies, now that its Saudiization program has been put into effect, to prod banks into providing better services and credit availability for the middle tier of borrowers.

These borrowers have lacked the kind of attention that the banks have provided to the several hundred prime names occupying the first tier of best credit in the Saudi market. But whether the government guarantee is the answer is far from clear, and it would appear that the business community will have to sort out its own affairs with the banks rather than depend on the government for a bailout of some sort.

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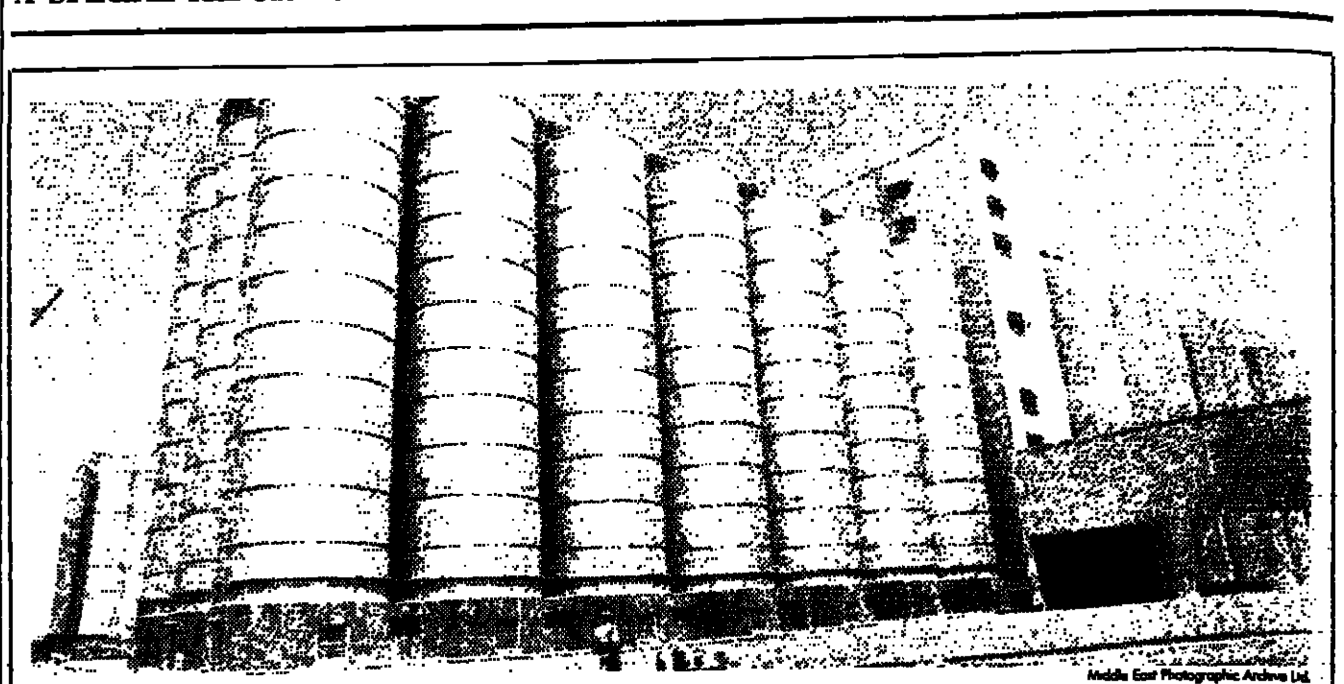


Storage silos of the Saudi Grain and Flour Organization.

Europeans, Saudis Begin Discussions On Tariffs for Petrochemical Exports

RIYADH — As Saudi Arabia develops into one of the world's largest exporters of petrochemicals, it has begun a dialogue of the deaf with the European Community over trade tariffs. Although each side professes to deplore its own as well as the other's rhetorical excesses, passions are high in Saudi Arabia, and more charges of protectionism and calls for reprisals are likely when five polyethylene plants come on stream next year.

The only Saudi petrochemical to reach European markets in bulk so far is methanol, used in making formaldehyde, acetic acid and solvents and as an additive in lead-free gasoline.

Although production of methanol in European Community and European Free Trade Association countries combined is about one million metric tons short of consumption, at 3.5 million tons a year, local manufacturers fear they will be unable to compete with Saudi Arabia's large, up-to-date plants, which have the additional advantage of virtually free, inexhaustible supplies of methane gas from the kingdom's oilfields.

Saudi Methanol Co. (Ar-Razi) began exporting in July 1983 from a plant at Jubail on the Gulf coast that has a capacity of 600,000 tons a year. The country's only other producer, National Methanol Co. (Ibn Sina), started commercial operations Nov. 1 from a 650,000-ton-a-year unit in Jubail.

These are comparable to the largest plants in Europe, such as Methanor-Chemie's 750,000-ton works in the Netherlands, and almost all their production is for export. Not all will go to Europe, however. Japan is due to take half the output from Ar-Razi, a 50-50 joint venture between Saudi Basic Industries Corp. (SABIC) and a consortium headed by Mitsubishi, and has substantially reduced domestic production.

European petrochemicals capacity has been cut by about 800,000 tons a year in the last four years. A spokeswoman at Royal Dutch/Shell's chemicals division said, "Things will get very difficult if there is no further rationalization."

In September, the EC Commision imposed a 13.5-percent tariff on Saudi methanol, the same level that is levied on all consignments of methanol entering the community.

This provoked a wave of indigantion in Saudi Arabia. Abdullah Quwaiz, deputy secretary-general of the Gulf Cooperation Council, the political and economic union comprising Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates, said, "This type of application of quotas ... conflicts with the objectives the community had in mind when agreeing upon them." He accused the EC of "violating an existing tacit agreement" with the GCC that tariffs would not be imposed until the completion of trade talks. No GCC state, he added, had yet exceeded its quota.

The EC's commissioner for industry, energy and research, Etienne Davignon, repudiated the charge. "I am not aware that any official could have made that commitment," he said in Paris.

Saudi Arabia, like most developing countries, is a beneficiary of the General System of Preferences (GSP), which allows modest amounts of products into the EC duty-free. The concession for each methanol exporter this year is 256,300 European Currency Units (ECUs) — equivalent at November spot market rates of about $165 a ton for methanol, to about 1,200 tons, "a single boatload," in the words of Michael Cockburn, trade policy adviser to the Brussels-based Conseil Européen des Fédérations de l'Industrie Chimique (CEFIC).

"Once the ceiling is reached," he said, "the EC Commission must impose duty if asked to do so by a member government, which is what happened with Saudi methanol at the request of the Dutch. But a distinction must be made between a ceiling and a quota. Libya and Mexico, for example, each have a quota of 256,000 ECUs for methanol. There is no quota on Saudi imports and, as it happened, these had exceeded 12,000 tons, about 10 times the ceiling, before duty was imposed. It cannot be retroactively charged."

In Mr. Cockburn's view "the dispute over the GSP has been blown out of all proportion. We are not in the slightest worried about the duty-free amounts; what concerns us is the volumes that are entering the community on which duty is paid."

Tariffs, he added, were no longer a deterrent. "If they were, you would not get one million tons of methanol a year entering a market for 3.5 million tons," Mr. Cockburn said. "Tariffs may have been a deterrent in the 1930s and 1940s, but that effect has vanished since the Kennedy and Tokyo rounds" of trade talks.

The Saudi industry and electricity minister, Abdul Aziz al-Zamil, concedes the point: "Tariffs of 20 percent are normal in Europe. What we call protectionism you call free trade." But, he went on with some passion, "From now on Saudi Arabia is not just going to be there as a market for American, European or Japanese goods without due regard to the development of local industry. The right to protect infant industries in developing countries is recognized by the EC in the Lomé agreements and GATT," the General Agreement on Tariffs and Trade.

Mr. Zamil's deputy on SABIC's board, Ibrahim bin Salamah, was more emphatic. "We have contributed a great deal to the prosperity of the industrial countries," he said. "Foreign companies share in our profits from the joint ventures. Perhaps the mentality behind tariffs is to arrest our development."

Saudi Arabia is not a signatory to GATT, nor is it among the 69 Third World beneficiaries of the Lomé treaties, under which the EC guarantees that the export earnings of producers of raw materials will reach a specified minimum level during a five-year period.

Mr. Davignon conceded that the reasoning behind the GSP was "to give developing countries a chance to enter our markets," but he rejected the comparison with the Lomé accords.

"These are overall agreements covering trade, development assistance, cultural exchanges and so forth, whereas the GSP was not the result of negotiation," he said. "It is a concession; we ask for nothing in exchange and we are not obliged to maintain it.

"While the GSP has been of enormous benefit to countries like Korea and Yugoslavia, enabling them to get the tiny margin that is sometimes all that is necessary to break into markets for certain products, it is insignificant in the case of methanol; the Saudis know full well that they are not going to sell a single drop more or less of the stuff, with or without the GSP."

The EC will increase the ceiling on methanol imports under the GSP to 320,400 ECUs next year, but this is still a modest amount and community officials refuse to speculate on measures that may be taken after CEFIC submits a report on the future of the European petrochemicals industry to the EC in December.

"We are being very cautious," Mr. Davignon said. "Our mandate is to develop cooperation as far as possible without preferential treatment and the beneficiary developing countries will not be given further advantages." But he added that "relations with the Saudis are in fact very good."

"We could not care less, and I do not think they could really care less, about the GSP," he said. "They are using it quite cleverly as a political instrument."

CEFIC believes that the methanol problem may diminish in the latter half of the decade. "Demand will rise if lead-free gasoline is widely introduced," Mr. Cockburn said, "and there is every likelihood that we shall grow out of the problem, though perhaps not as soon as 1985 or 1986."

Other petrochemicals "are a totally different scene," Mr. Cockburn said. European production of polyethylenes, at about five million tons a year, outstrips local consumption by one million tons, and "although there was a tremendous demand for polyethylenes in China in 1984, that may not be repeated; we fear that export markets will be lost," Mr. Cockburn said.

The five SABIC polyethylene plants that will enter production within 12 months have a total capacity of more than 950,000 tons a year of ethylene derivatives and 295,000 tons a year of styrene, both of which are on the GSP's "sensitive products" list, as well as almost 600,000 tons a year of linear low-density polyethylene, a new product so far manufactured in only two or three countries.

— ROBERT HOLLOWAY

Marketing Structure Moves Into Place

JUBAIL — The emergence of Saudi Arabia as an important exporter of petrochemicals at a time when world markets are depressed may give foreign manufacturers sleepless nights, but Commerce Minister Sulaiman Abdul Aziz al-Sulaim regards it as a blessing for Saudi Basic Industries Corp., the state-owned company that has a full or part stake in all eight of the kingdom's petrochemical plants.

In June, two marketing companies were set up to handle the range of products that will be coming on stream in the next 12 months. SABIC Marketing will negotiate sales contracts and prices, while SABIC Marketing Services will provide support services such as delivery, storage and quality control.

"We are lucky to be entering a market when it forces us to be competitive," Mr. Sulaim said, "just as we were fortunate that the latest high technology was becoming available when we started to set up the plants in the late '70s and early '80s."

The technology was provided by foreign companies, in most cases U.S. or Japanese, which entered joint ventures with SABIC that cover every aspect of production and marketing. Exxon Chemical Co., for example, has a 50-percent equity holding in the $1.1-billion al-Jubail Petrochemical Co., or Kemya, which plans to start commercial production of linear low-density polyethylene (LLDPE) by next autumn.

Used in making thin plastic coatings and films, this new product is lighter and stronger than other LLDPEs and is produced at lower cost, using a low-pressure process involving special catalysts made under license from Union Carbide.

"Apart from Dow Chemical, which uses a different process, we know of no other major manufacturer of LLDPE except Exxon itself," said a Kemya official. Security is so tight at the Jubail plant that even SABIC officials have to satisfy armed guards that they are not carrying cameras.

As with the other joint ventures, Kemya's output will be marketed by the two venture partners; the U.S. company is obliged to find outlets for a certain, undisclosed percentage of the total.

"We have an option to sell through alternative networks if the marketing companies fail to lift all we produce," Kemya President James Brewer said, but he refused to elaborate. "We are not a marketing firm and we are forbidden to discuss it."

SABIC's vice chairman, Ibrahim Salamah, said, "In the short term, our partners will bear the burden of distribution, since they have greater experience, but SABIC will assume a greater responsibility in the future. All profits from marketing operations will be ploughed back into the joint venture after distribution costs and commissions have been deducted."

A source in Riyadh, who asked not to be identified, said that "in a typical case the partner is contractually obliged to lift more than half the output from the joint venture; it is then his problem." The partner may therefore find itself in competition with SABIC Marketing, particularly if it has other production units outside Saudi Arabia.

The capacity of the Kemya plant, for instance, is 260,000 metric tons a year, compared with 270,000 at Exxon's LLDPE unit at Mont Belvieu, Texas, near Houston. Kemya plans to export chiefly to the Far East and has decided to manufacture LLDPE in pellet form to suit customers there, while the Houston plant turns out granulated LLDPE, but otherwise there is no difference.

Mr. Brewer said that until the completion of start-up tests that began in October the company could not gauge optimal operating capacity, but since the plant has a twin reactor it would be possible in extreme circumstances to close capacity by half.

There is, however, not likely to be any shortage of markets for LLDPE. More serious is the outlook for National Methanol Co., a joint venture involving Celanese-Texas Eastern and the huge $2.5-billion Saudi Yanbu Petrochemical Co., half-owned by Mobil, which will be trying to enter the oversupplied markets for methanol and ethylene glycol, a derivative used in making anti-freeze and fibers.

"The partners appeared not to realize that SABIC would be so successful," said a source who asked not to be named. "The one firm which saw the writing on the wall was Dow, which wrote off $25 million when it pulled out of Arabian Petrochemical Co. in 1982, leaving it a wholly owned SABIC subsidiary. Dow realized that the Third World was going to become the big producer of petrochemicals and it has decided to go further downstream."

Not all of the SABIC plants' output will be exported, however. "There is a misconception about our operations," said Abdul Aziz al-Jarbou, director-general of SABIC Projects Implementation. Saudi Petrochemical Co., or SADAF, a $3-billion joint venture with Pecten Arabia, a subsidiary of U.S. Shell, will be producing 454,000 metric tons a year of ethylene dichloride after it comes fully on stream in March next year, "but it is not widely appreciated that half of this will be absorbed by National Plastic Co.," said Mr. Jarbou. National Plastic is half-owned by Lucky Corp. of South Korea, which plans to produce 200,000 tons a year of PVC in Jubail, he said.

Preliminary estimates show that 38 percent of SABIC exports will go to the United States, 22 percent to Japan, 11 percent to Europe and 29 percent elsewhere, but the volume available for export remains uncertain. Mr. Jarbou said he thought that "the forecast of 11 percent domestic consumption of petrochemicals is on the conservative side. There are already more than 50 PVC molding factories in the kingdom and we cannot tell what overall local demand will be until all the petrochemical plants are working. Private enterprise is waiting on SABIC."

The corporation, set up in 1976 with capital of 10 billion riyals, plans to spend 16.4 billion riyals under the next five-year plan, which starts in March; 8.41 billion of it would be in petrochemicals. Only three relatively modest new plants are at the stage of advanced planning, however, and the corporation's vice chairman, Mr. Salamah, confirmed that "we have no other firm plans." More than half the investments in the five-year plan, he said, would be "with the private sector."

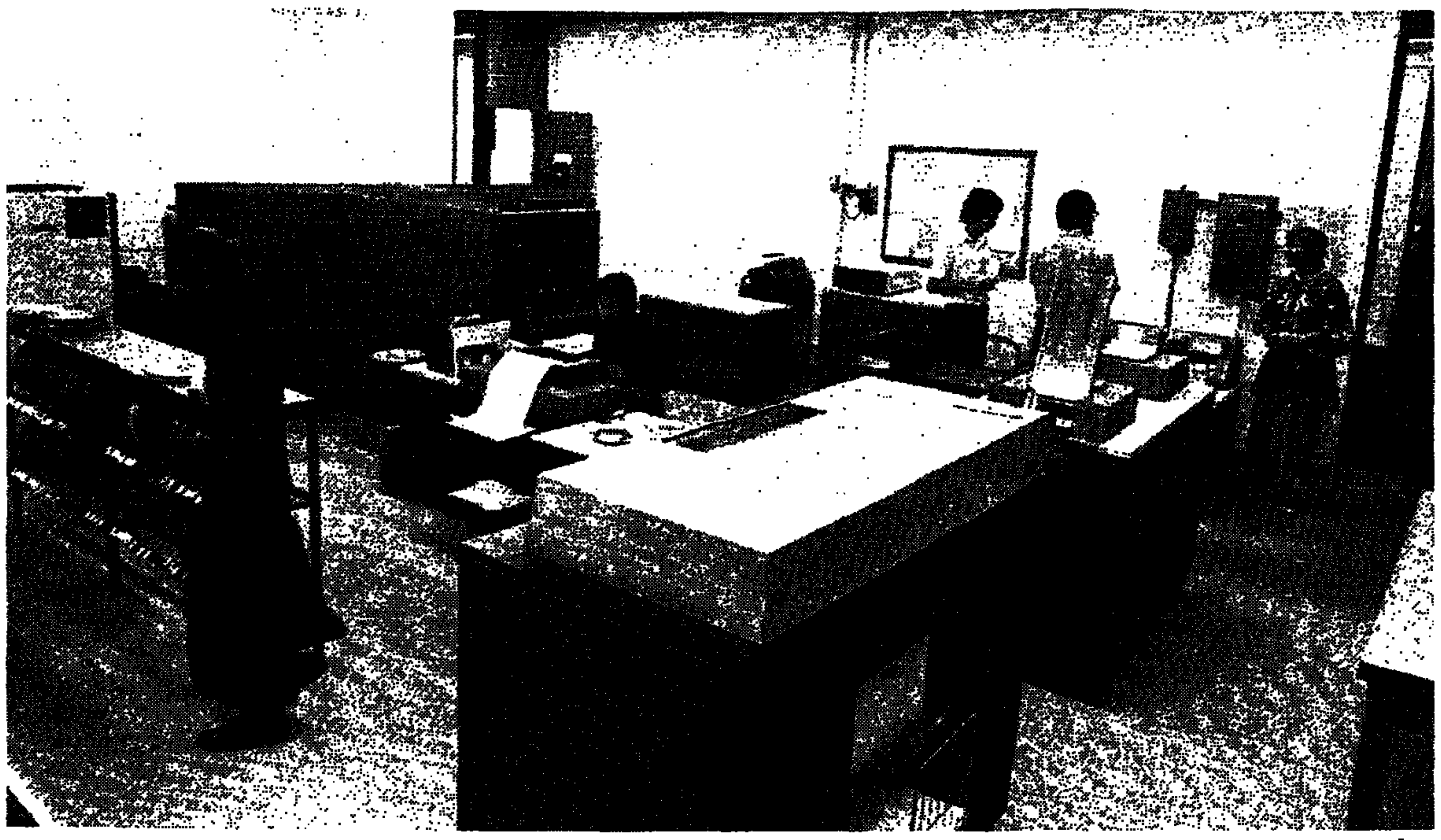
One of the three plants will produce 1,300 to 1,500 tons a day of ammonia from methane or ethane gas. The other two will be integrated into the Jubail system, taking feedstocks from the first generation of petrochemical plants to produce polystyrene and MTBE, a chemical that replaces lead to improve gasoline octane ratings.

Some of SABIC's competitors argue that guaranteed long-term supplies of cheap methane and ethane from the Saudi state hydrocarbons concern, Petromin, coupled with sites at nominal rents from the Royal Commission for Yanbu and Jubail, give the corporation a head start. But Tony Foster, general manager of the chemicals division of Britain's ICI, has said that "we do not believe that the Saudis have a significiant cost advantage."

Although all SABIC projects have so far been completed ahead of schedule and below budget, SADAF's senior vice president, Mohammed al-Mady, said, "The low cost of our raw materials is offset by the high cost of setting up new plant, about 20 percent above costs in Europe, and by very expensive training; the only advantage we have is brand-new technology."

Bill Carpenter, seconded from U.S. Shell to be president of SADAF, argued that even this advantage was "not unique to Saudi Arabia. The only uniquely Saudi advantage we have is cheap feedstock, and this is an absolute must if Jubail is to compete. We are logistically disadvantaged in that we are distant from markets in the developed world. We have to work very hard to get a normal rate of return and we do not expect any profit margins until prices pick up in the 1990s."

— ROBERT HOLLOWAY



Computer room of the petroleum college at the University of Dhahran.

Sygma

Students at the University of Dhahran.

Sygma

Petromin-Mobil Refinery at Yanbu Operational Six Months Ahead of Schedule

JEDDAH — Although it is, above all, a producer of crude oil, by the end of this year Saudi Arabia will have become a significant exporter of refined products, a prospect that worries refiners in Western Europe, where plants are already working at about two-thirds of capacity.

In July, six months ahead of schedule, Petromin, the state hydrocarbons concern, began operating a refinery in the Red Sea port of Yanbu that has a capacity of 250,000 barrels a day and is run as a joint venture with Mobil. An identical venture with Shell is due to start this month at Jubail, on the Gulf coast, while a 325,000-barrel-a-day refinery involving Petrola International of Greece is under construction.

Five older refineries have a total capacity sufficient to meet domestic demand. The output of the new plants is for export only.

This has raised fears that Saudi Arabia will be able to undercut refiners in Europe and has aroused suspicion that the kingdom might follow the line taken by some other members of OPEC and use its refineries to exceed the organization's production ceilings.

Speaking in London earlier this year, the president of Exxon, Richard Reid, said: "My greatest fear is that the OPEC oil producers will think they can increase their output by selling products in Europe. . .We look upon that as a threat."

The governor of Petromin, Abdelhady Taher, described these fears as exaggerated. While it is true, he said, that "our commitment to OPEC does not directly affect our refinery output, you should not look at refined products in this context as any different from crude." Refinery output could be used as "a substitute for crude — there is no magic formula for that," he said, but added that what mattered as far as OPEC was concerned was the kingdom's total production.

Under the terms of the OPEC oil ministers' agreement in Geneva at the end of October, Saudi crude production should be limited to 4.353 million barrels a day. The implication of Mr. Taher's remarks — although he did not spell it out clearly — was that if the Yanbu and Jubail refineries produced at maximum capacity, crude output would be restricted to 3.853 million barrels a day.

As for the threat to European refiners, Mr. Taher said that since the refineries were 50-50 joint ventures, Petromin's maximum available capacity from the two combined was 250,000 barrels a day, equivalent to "only 0.4 percent of total refinery capacity in the market economy countries in the free world."

Another way of looking at it is that France, the largest refining nation in Europe after Italy, has a total capacity of 2.37 million barrels a day, less than five times the size of the Yanbu and Jubail plants. French capacity has been slashed from a maximum of 3.42 million barrels a day in 1976, but refineries are still operating at 66 percent, a figure typical of much of Europe, and further cuts of at least 170,000 barrels a day are regarded as inevitable. Primary refining capacity in the members of the International Energy Agency, which includes most OECD countries but not France, has shrunk by about seven million barrels a day in the last five years, to 40 million barrels a day, and is expected to decline by a further one million barrels a day by the end of next year.

Mr. Taher denied that Petromin would undercut European refiners by providing the refineries with cheap feedstock. "Crude will be sold to the refineries at government-established prices," he said in a recent interview.

But he conceded that Saudi Arabia's entry into the market would "tend to accelerate the rationalization of outdated capacity, which has not been subject to new investment in upgrading."

Petromin officials say the yield of the Yanbu refinery will reach about 70 percent per barrel of crude, a very high rate of return; comparable refineries elsewhere normally get about 50 percent.

Output from the Yanbu refinery at full capacity breaks down as follows: 68,000 barrels a day of gasoline, 18,000 barrels a day of naphtha, 35,000 barrels a day of aviation fuels, 75,000 barrels a day of diesel and heating fuels and 54,000 barrels a day of bunker fuels and heavy heating oils. Refining industry sources describe the proportion of gasoline and naphtha, the lightest fuels, as unusually high.

A big imponderable is demand. Petromin officials say the refineries are not expected to work at more than 400,000 barrels a day by the end of next year. The third export refinery, at Rabigh, between Yanbu and Jeddah, was originally scheduled to start operating late in 1985, and Mr. Taher said in October that this was still the case. But industry sources have been quoted as saying that they do not expect it to function before 1987.

Under the terms of the joint venture agreements with Shell and Mobil, each partner is entitled to lift half the refinery output. The refineries were financed 60 percent by the Public Investment Fund and 10 percent by commercial financial institutions. The remaining 30 percent of the equity was shared equally by Petromin and its partner.

As an incentive to enter the venture, Mobil and Shell were guaranteed crude supplies of 125,000 barrels a day for 15 years. Mr. Taher said these guaranteed supplies would not be jeopardized "provided that the refinery runs according to the agreement." This stipulated that each partner must lift 60 percent of its refinery entitlement, or 75,000 barrels a day of products.

There is no cost benefit. The incentive crude is sold at official contract prices, Mr. Taher said, and while the final pricing arrangements for the refined products have yet to be reached, a spokesman for one of the two U.S. companies, Mobil, said that they would be sold at European prices "netted back." In other words, Shell and Mobil will pay what they would have paid in Europe, less transport costs.

The quality mix in the incentive crude sales is 50 percent light and extra light and 50 percent medium and heavy crudes, Mr. Taher said.

This is slightly lighter on average than the new mix that Saudi Arabia told clients they would have to take after Oct. 1 so that it could sell more of its advantageously priced heavy oils. The incentives sales to Mobil and Shell are, therefore, a means of disposing of modest amounts of light crude that Saudi Arabia would currently have difficulty selling at full price.

The refinery venture agreements were concluded when markets were tight and guaranteed oil supplies were attractive. Now, however, Mobil and Shell would appear to have little or no incentive to lift their incentive crudes.

But, Mr. Taher said, "neither the oil majors nor Petromin believe that the surplus will last forever. The time will come again when crude is tight and the companies consider it to their advantage to have guaranteed access."

A spokesman for one of the refinery partners, Mobil, added that they did not want to put long-term supplies in danger by failing to respect the refinery agreement. "Even in today's glutted market," he said, "it would be more expensive to let the refinery stand idle."

Agreements between OPEC members commit them to respect specified price levels for crude sales, with variations only for quality and transport costs, and not to undercut one another. There are no agreements on prices for refined products, however, since in the past OPEC countries did not possess sufficient refining capacity to have any degree of control over the market.

As it enters the refining business on a large scale, Petromin has essentially two options: to base its product prices on spot prices in Europe or to use a fixed price that would probably be related to the oficial contract crude price.

It rejects the former because, in Mr. Taher's words, "the spot market does not provide either the buyer or the seller with either stability or short-term predictability of price," and it "inevitably exaggerates underlying supply and demand pressures." But, on the other hand, "we recognize that we cannot sell a product at a price that is higher than the buyer is prepared to pay for it." The answer to the apparent dilemma is to give refined products a government-established price, but also to write into sales contracts "phase-out provisions" that will give the seller protection while "providing adequate notice that a price adjustment is called for," Mr. Taher said.

— ROBERT HOLLOWAY

A SPECIAL REPORT ON SAUDI ARABIA

Lower Oil Income Puts Budget Planners In Worst Financial Squeeze Since 1950s

LONDON — Saudi Arabia is facing its worst financial squeeze since the late 1950s, and the government's decisions on how to cope with it will have an immediate, direct impact on the private sector and the fledgling industrial sector.

The private sector has endured two successive years of dramatic rollbacks in state spending since the autumn of 1982. Last year, government outlays barely reached 223 billion riyals, well under a budgeted 260 billion riyals and about 22 percent under the 286-billion-riyal peak in spending in 1981-1982.

While those numbers have been repeated endlessly, they are nevertheless important because government payments still are the most important source of money supply creation in the kingdom. They accounted for at least 95 percent of all domestic liquidity creation last fiscal year, and perhaps more, since the banks have made little new net credit commitments since the pilmigrage season in 1983.

In these two years of austerity, the growth in the money supply has been sharply curtailed. M-1 and M-2 grew barely 1 percent and 3.3 percent, to 86 billion riyals and 120 billion riyals, respectively, in the fiscal year that ended last April. The growth was four times that amount before the spending rollbacks. Even M-3, which includes large foreign currency deposits, managed growth of only 7.7 percent to 144 billion riyals, against a rate three times that big in the easy days before the oil glut.

The Saudi economy, with its absence of foreign exchange controls and its cash orientation, had been largely fueled by the high money supply growth of previous years. So when the money supply dropped sharply with the state spending cuts, economic activity was likewise clipped. The growth in the nonoil domestic product — the best measure of private-sector activity — fell to a little better than 5 percent this year, compared to rates of 11 and 12 percent the two years before. In other words, many contractors and trading houses in the kingdom have found themselves seriously strapped for liquidity or markets for expansion.

Thus, when the Finance Ministry unveiled its new budget last April for 1984-1985, it was greeted with a sigh of relief. Government spending was targeted to grow back up to 260 billion riyals. Especially appealing was the budget's higher capital expenditure — payments to contactors — to 114 billion riyals from 82 billion.

Few people believed, however, that the government would actually spend 260 billion riyals this year. The number is largely a political gesture, and even the Finance Ministry has been working with figure closer to 235 billion or 245 billion riyals. The announced budget was interpreted to mean that the ministry believed the corner had been turned, and that pleas from many in the private sector for the deus ex machina of higher spending, to ease the pain of tight liquidity, had been answered.

The new budget was based on a rather optimistic revenue forecast of 216 billion riyals, with the shortfall to be covered through a 46-billion-riyal draw on the principal of the foreign reserves under management of the Saudi Arabian Monetary Agency. Oil revenue was to total 151 billion riyals, or about $3.5 billion a month at a budgeted exchange rate of 3.54 riyals to the dollar; crude oil exports would have to have averaged about 4.2 million barrels a day throughout the year. Interest income from reserves would bring in 35 billion riyals, for a return of a little less than 10 percent on foreign investments of $108 billion; 27 billion riyals would be raised internally through gasoline sales and various other sources, such as utility charges.

But nothing has gone the Finance Ministry's way in the first half of the fiscal year. While spending has been running about par with last year's level of an average 18 billion riyals a month, revenue has been falling well under the forecast. Interest income, for instance, will probably be no more than $9 billion or about 32 billion riyals this year because of the steady sales of dollar assets, which are the highest yielding. Nonoil and noninvestment revenue also has been scaled back by about 3 billion riyals to 24 billion.

The biggest shortfall, though, as always, has been due to an uncooperative oil market. April was the only month in the fiscal year to date that the $3.5-billion oil revenue target was met. Oil revenue has dwindled steadily since, to reach about $2.8 billion in August, according to reliable souces at SAMA. The kingdom's agreement at September's OPEC meeting to an implicit production quota of 4.37 million barrels a day — even lower if the side agreements with Nigeria are factored in — means it will be next to impossible to bring production back up this winter to counter the lower production of the summer and meet the budget's export target of 4.2 million barrels a day.

Oil revenue will be dampened further by the recent shift toward heavier crudes in the production mix, which brings the average weighted income per barrel, before Aramco costs, to about $27.50 from $28.50.

Barring a miraculous turnaround in the international oil markets — which almost no one is betting on — the Finance Ministry will be lucky to hit the bottom end of its own spending target this year, much less the 260 billion riyals announced in April. That means some tough decisions, with enormous political ramifications, will have to be made.

The most popular option, at least among cash-strapped contractors and the trading houses, is an even deeper draw on the principal of the foreign reserves than the $13 billion budgeted. For years, the Finance Ministry and SAMA have described the foreign assets as "deferred expenditures" to be kept fairly liquid for the day when the paper wealth would be needed to continue domestic development.

The day of reckoning appears to have arrived. If the budgeted $13-billion draw this year is included, SAMA will have depleted about $23 billion of the assets, in addition to $21 billion in interest income, in the two years to next spring. Add a few billion in foreign exchange losses from sales of nondollar assets this year, and that is a lot of money.

There is talk of the drawdown rising to as much as $20 billion this year, which is within the realm of possibility. But the Finance Ministry and SAMA will be reluctant to go above the sanctioned $13 billion, for a number of reasons. First, such a step would have to be approved by the Council of Ministers, which could mean a nasty debate over the management of the reserves. SAMA's total income-producing foreign reserves dropped below $100 billion in September, according to well-placed sources, and while it is difficult to imagine feeling broke with that much in the bank, this was nevertheless an important psychological barrier.

Further drawdowns also would cut more deeply into investment income because the bulk of the sales so far have been in dollars, and dollar-denominated assets are providing the best returns since the U.S. inflation rate has been brought under control. Finally, there is no small amount of thinking that suggests that future generations should not have to pay for this generation's relative inability to handle its finances.

The dilemma facing the Finance Ministry is where to cut from the budgeted outlays. It is next to impossible to cut from the recurrent expenditures such as government salaries and administration costs, or operations and maintenance, which account for the first three chapters of the budget. Cutting back on subsidies is politically unacceptable. Thus if 25 billion to 30 billion riyals must be trimmed out of the budget, it is not hard to guess that the cuts will be made in projects — not the most welcome news to contractors.

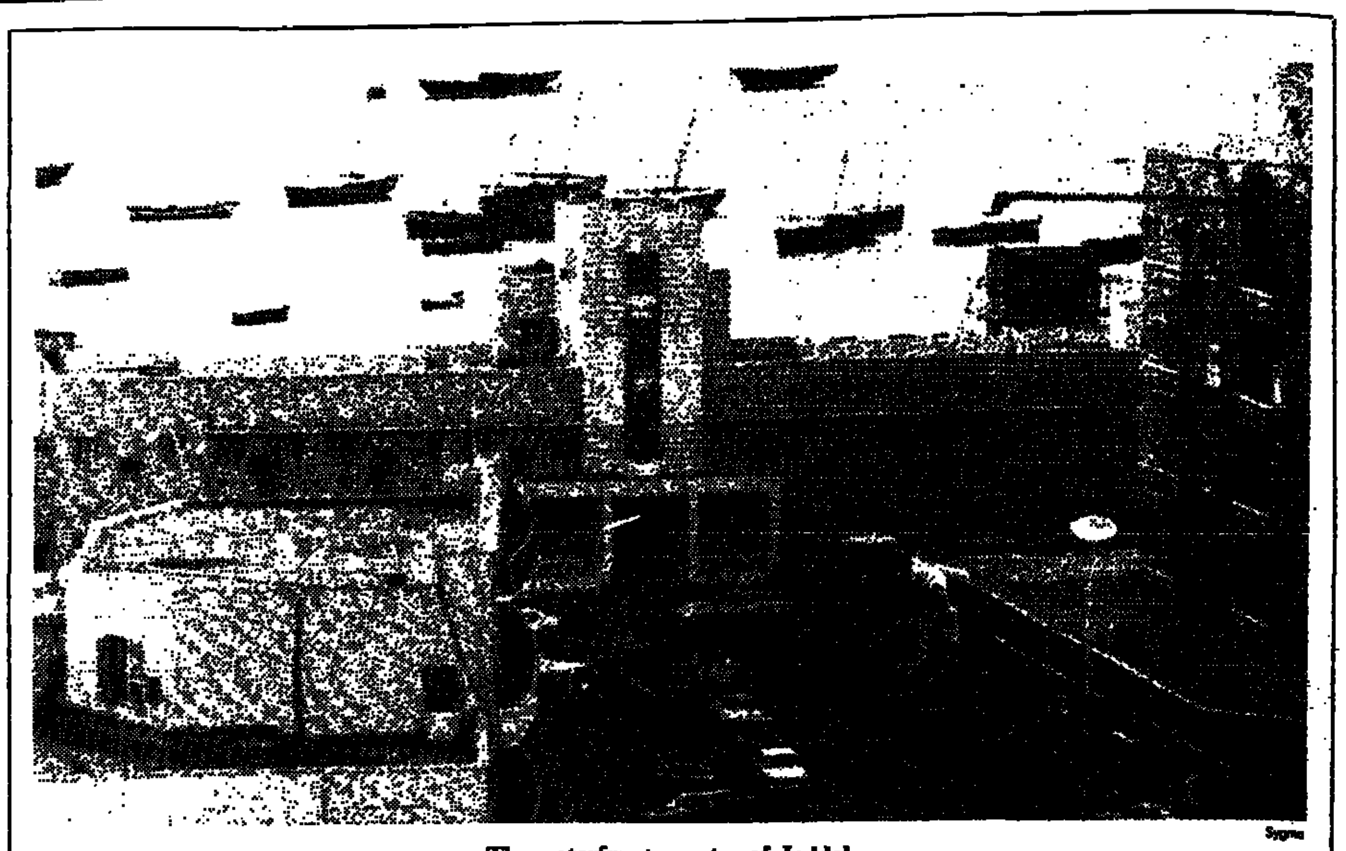
If there is any consolation, it is that the Finance Ministry is prepared to ensure that spending does not dip below last year's level, even if this means going ahead and digging into the reserves. But one must not underestimate the room for maneuvering still available to the ministry to keep enough riyals going through the system despite the slower pace of total outlays.

For instance, the ministry has been especially adroit over the last two years in steering its cuts toward the direct foreign exchange spending portion of the budget rather than the more immediately felt riyal-denominated spending. The distinction is important: In 1982-1983, the first of the lean years, overall spending fell 43 billion riyals to 243 billion, but actual riyal-denominated spending increased a few billion to 173 billion riyals. While the figures for the fiscal year that ended last spring are not available yet, it is estimated that riyal spending has fallen no more than 10 percent over the last two years — a real reduction far less severe than the 22-percent overall spending decline would suggest.

It is difficult to forecast how much more the ministry can aim its cuts at this side of the budget, especially with a Defense Ministry hungry for expensive weapons systems from the Americans and the French. But the Finance Ministry is certainly taking a close look at those numbers and at other ways to keep the riyals flowing longer before they wind their way back to SAMA in exchange for dollars.

For the private sector, until the government can find an acceptable way of readjusting to what appears to be a lower revenue horizon through the rest of this decade, the fiscal squeeze of this winter means, as one Finance Ministry official put it, that "they will have to work harder.

— KEVIN MUEHRING



Sygma

The waterfront quarter of Jeddah.

Construction: First to Feel the Pinch

RIYADH — Saudi Arabia's construction industry has taken a tremendous battering from the economic slowdown and fall in oil revenue. Traditionally the pump through which the government fueled economic activity, it is one of the first sectors to feel the effects when the pump is stopped. It has suffered also from the far graver structural problems of expanding beyond the long-term needs of the economy.

In the days of crash programs, profit margins were absurdly inflated — as high as 400 percent in some instances — and the loosest-run company prospered side by side with the good. Abdullah Dabbagh, secretary-general of the Riyadh Chamber of Commerce, said that 10,000 establishments had set themselves up as contactors; the majority will fail.

The first sign of trouble came in the spring of 1982, when reports of late payments began circulating. These problems were attributed to seasonal factors having to do with government disbursements. In fact, as oil revenue began to level off, stretching out payments became an easy, effective way to slow economic activity and soak up surplus liquidity in the private sector — as well as being a cheap source of credit.

By the beginning of 1983, however, the problem was becoming serious as the government imposed a freeze on payments until after the March OPEC agreement had reestablished some order in oil markets. By then, the cumulative value of late payments carried over into the new financial year amounted to more than $5 billion, diplomatic sources said. The story since has been how long this source of credit could be extended without triggering a series of bankruptcies that could create reverberations *throughout the economy.*

With greater financial stringency has come a far greater concern for quality control. The Finance Ministry has cracked down on individual ministries and government agencies. No longer can they automatically transfer funds from one budget to another. New regulations on monitoring specifications and performance have produced a mound of paperwork. One contractor noted that it now took 17 signatures for a document that two years ago required one.

The government agencies do not always have the staff to act on the new rules. Learning and familiarization with the regulations have been taking place on both sides of the payments business, and it was inevitable that there would be some hiccups and bureaucratic delays.

These changes coincided 18 months ago with a directive that all government contracts go to open tender. Many contracts had to be retendered, upsetting planning and cash-flow projections, and the contracts often were relet at substantially lower prices. At the same time, advance payments were reduced from 20 to 10 percent, with a ceiling of 50 million riyals. Since then the open tender system has been extended to all Ministy of Defense contracts that are not directly related to defense. And large *contracts have to be advertized in* all Saudi papers.

Those measures have been felt across the industry and have been largely beneficial in opening up new areas of business. But resolution 124 of 1983, requiring 30 percent of contracts awarded to foreign joint venture groups to be subcontracted to wholly Saudi companies, was aimed specifically at helping local contractors. Aspects of the ruling remain unclear — whether, for instance, the 30 percent refers to just work in the kingdom or to the whole contract — and the resolution has been put only patchily into effect.

Resolution 124 has added one more complication to the lives of foreign contractors doing business in the kingdom. Some find that the larger, more reputable Saudi construction groups are not interested in the narrow margins on subcontracted work while smaller companies that will take on the work at any price are often financially unsound.

However, the main complaint of foreign contractors is official indecision during the implementation of the contract, for which they are later penalized.

The minister of finance and national economy, Mohammed Abalkhail, has gone through these cases individually, with a colleague. *He said that in only a few instances* were payments "in the pipeline." He concluded that most of the problems were technical and pointed out that the number of disputes were small in relation to the volume of business that had been contracted and the fact that it was moving to the end of the cycle.

Not all foreign groups are pessimistic. The Dutch company Ballast Nedam, doyen of the international construction fraternity with 21 years of continuous work in the kingdom, still sees Saudi Arabia as a promising market in the medium to long term. With the huge Bahrain causeway nearing completion, Ballast was fortunate last year to win a 5-billion-riyal contract to rebuild reinforced concrete hangars for the Saudi Air Force.

"There are no doubts that margins are tighter now and we don't expect the market to produce such large contracts in the future," said the head of the company's construction international division, Martin Weck. "We have put in bids recently for operations and maintenance. Operations and maintenance will eventually account for 20 to 25 percent of the budget."

Most foreign companies are neither as well established as Ballast Nedam nor do they have the security of a healthy order book to see them over the coming lean years. And the larger Saudi groups, such as Saudi Oger and Bin Laden, will in time become better equipped to handle the sophisticated projects previously in the Western companies' domain. The European and U.S. companies have been largely pushed by the South Koreans and Taiwanese out of general contracting into specialized engineering. One consulting engineer said the Saudis received "fantastic" value and workmanship from the South Koreans.

The open tender system has been, on the whole, highly beneficial, and the gradual introduction of more efficient grading and tender specifications will make it better. But too many companies are bidding for work for which they may be unqualified, and at untenable margins, simply to stay in business. Under the open tender rule, the lowest bidder has to be accepted.

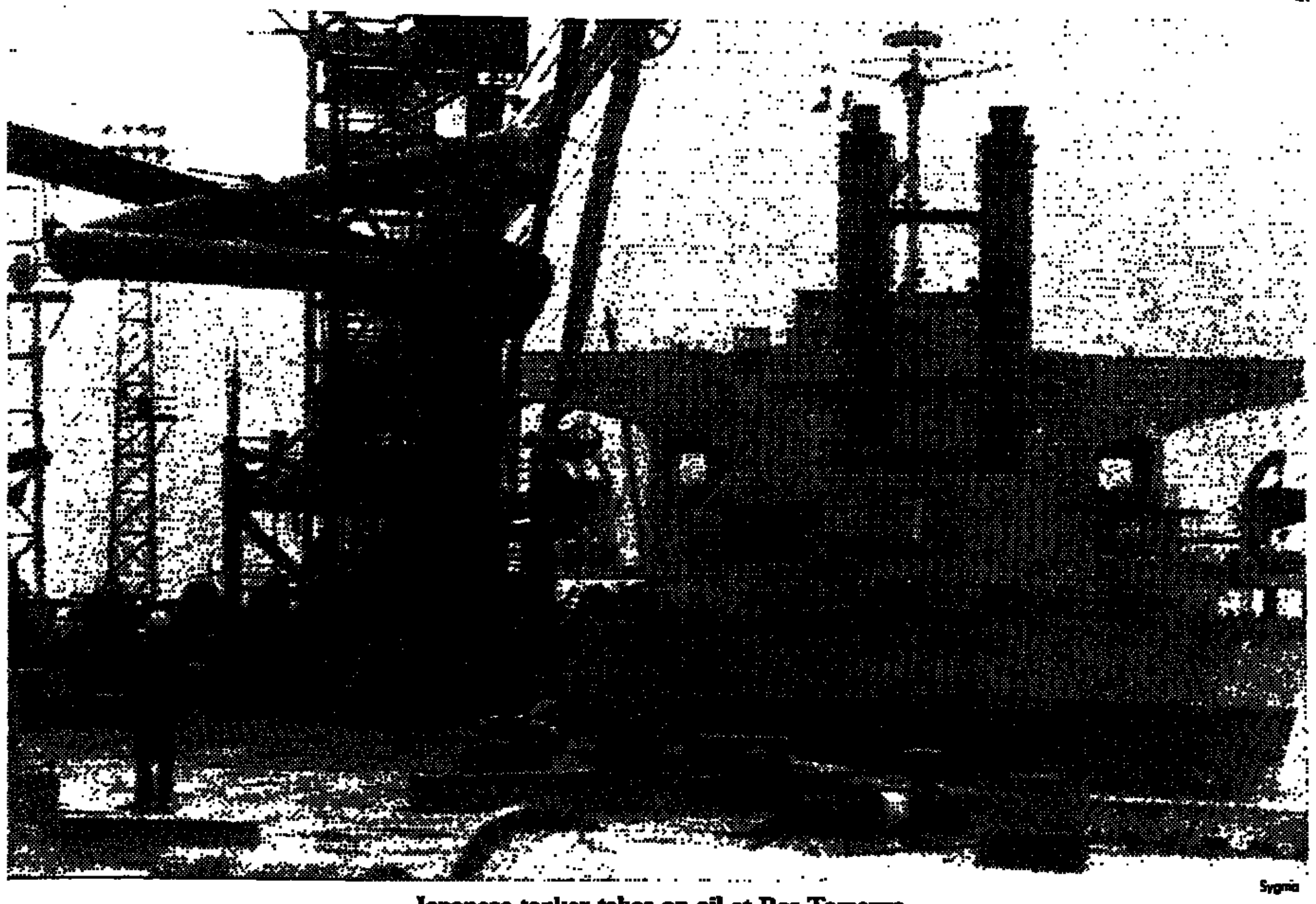
"Ministries are now finding they have to do things by the book," said a banker. "They can't farm out projects to well-established contractors who bid low on the assumption that contracts can be revised later to a more realistic price. Taking the lowest bidder, there will be shoddy work."

One Saudi entrepreneur, Omar Aggad of Mabco, said he believed thatthe industry was sufficiently resilient to ride out the troubles. "We will go through a difficult year and then the liquidity problem will disappear," he said. "I don't think the liquidity problem will have a long term effect." Well-managed companies should be able to raise money *even if they have to show more* evidence of capability, he added.

Other people, notably bankers, are less sanguine. They fear that credit is now so severely extended, it could trigger a rash of bankruptcies. About 300 companies were declared bankrupt in 1983-1984, and the figure is expected to be quite a bit higher this year.

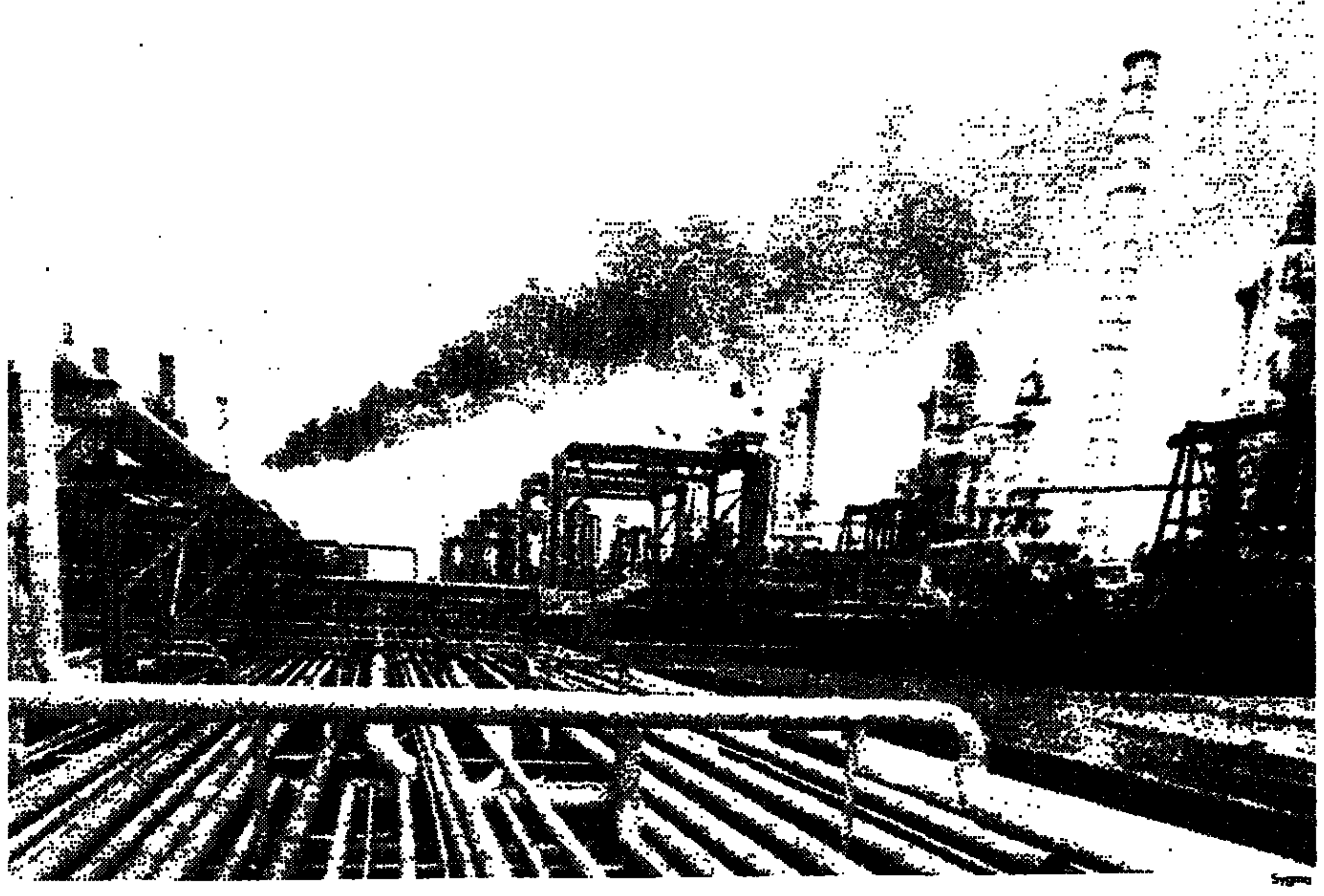
The Aramco index of industrial production, the most comprehensive measure of industrial activity in the kingdom, appears to have bottomed out, but experts are undecided whether the market has *overreacted and will spring back to* a high level or settle at a new depressed low. Whatever the outcome, the coming year is likely to see a spate of bankruptcies and a trail of foreign construction groups leaving the kingdom. For those that can hang on there will be rich pickings, for Saudi Arabia remains by far the biggest construction market in the region.

— ALAN MACKIE



Sygma

Japanese tanker takes on oil at Ras Tamoura.



Sygma

Aramco oil installations.

OPEC's Oil Production Quotas — At the Moment the Issue Is Moot

JEDDAH — The lower oil production that Saudi Arabia agreed to when OPEC reduced its overall production ceiling in late October is, at least for the present, hypothetical, since it implies a ceiling that is far above current output.

Oil income shrank from more than $102 billion in 1981 to $70 billion in the following year and $37 billion in 1983. The big questions are how far this rapid decline has begun to hurt, and, if demand rises, to what extent can the kingdom stick to its production limit without trimming its budget or further depleting its financial reserves. There are strong signs that oil exports in the first half of the current fiscal year were about 1.5 million barrels a day below the level needed to meet the budget figure, implying a shortfall of about $15.8 billion.

The foreign assets of the Saudi Arabian Monetary Agency, the central bank, were drawn down by $17 billion to $118.8 billion in the fiscal year that ended April 1, as government spending exceeded revenue by 32.4 billion riyals, according to the half-yearly SAMA report published in July. A budget deficit of 35 billion riyals had been forecast, but with oil revenue 37 billion riyals below forecast at 128 billion riyals, the actual deficit could be contained only by cutting expenditures.

This was achieved entirely by slashing capital spending from a budget target of 153.9 billion riyals to 112.7 billion riyals. The outlook for the current fiscal year is no rosier.

No one seriously challenges Saudi Arabia's commitment to OPEC. Unlike the 12 other members, the kingdom has no actual production quota but acts as the "swing" producer; in theory, it adjusts its output so that even if other members exceed their ceilings, the organization's total production remains on target and prices are not depressed by further oversupply.

Two recent marketing decisions have, however, raised eyebrows in certain quarters. *In July, a barter* deal was struck by which the national airline, Saudia, will receive 10 fully equipped Boeing airliners, *paid for with crude* oil that already has been delivered by the state hydrocarbons concern, Petromin. And in October, Petromin altered *the quality mix of the oil that it sells* on contract.

The first move affected the spot market for crude, depressing the prices that are paid for noncontract volumes as Saudi Arabia momentarily boosted output for the barter and thus added to an oversupplied market; the second marginally cut the kingdom's contract prices, and, at the same time, added to the psychological pressure downward on spot prices.

It was the persistent dwindling of spot prices that prompted Nigeria, financially the most troubled member of OPEC, to cut its contract price in defiance of the organization's price structure and to raise production above its quota.

The barter deal — in fact two deals, one for the 747-300 plane bodies, the other for the Rolls-Royce RB-211 engines — was concluded against the wishes of Petro*leum Minister* Ahmed Zaki Yamani and embarrassed other officials. Petromin Governor Abdelhady Taher is reluctant to discuss it in detail. "There is no particular reason for doing a barter deal," he said. "They just happen. From time to time you get the opportunity to do an export-financed deal."

The important thing was that the oil — more than 3.4 million barrels lifted for Boeing and Rolls-Royce by Shell — was "sold at the official price and we were covered," he said.

He rejected the contention of a foreign observer of the Saudi oil industry, who asked not to be identified, that "given the psychology of the market this deal was very disruptive." Mr. Taher asked how 300,000 barrels a day could affect the market.

The argument is disingenuous. Apart from Saudi Arabia, no OPEC member will participate in the new price-supporting production cut by more than 150,000 barrels a day. Their average cutback is 71,080 barrels a day. The barter volume was, by the standards of the rest of OPEC, large and long; it lasted for three and a half months.

On Oct. 1, Saudi Arabia changed its mix of light, medium and heavy crudes so that clients would have to lift more heavy oil. Hitherto the mix had contained 60 percent Arabian Light, which commanded a higher price because it was easier to refine, and 20 percent each of medium and heavy grades.

This arrangement further suited the Saudis because lighter oils contain more associated natural gas, which they needed for their fledging petrochemical industries as well as for public utilities.

The abrupt change to 40 percent light, 25 percent medium and 35 percent heavy reduced the average official price of the Saudi mix from $28.08 a barrel to $27.55, according to the end-October monthly market report of the Paris-based International Energy Agency. It also shaved 20 cents off the weighted average of official and contract prices and, more significantly, helped push down spot prices by as much as $2.25 a barrel in the third week of October, although they recovered about two-thirds of the loss in the following week.

> **'Oil income shrank from more than $102 billion in 1981 to $70 billion in the following year and $37 billion in 1983. The big questions are how far this rapid decline has begun to hurt. . .'**

Among the reasons given by Saudi officials for the change were that the new mix more accurately reflected the proportion of crudes in the kingdom's reserves, now estimated at 166 billion barrels, and that the recent development of "dry" natural gas deposits had lessened the need for associated gas.

A more important factor, the only one cited by Mr. Taher in a recent interview, is that since customers in industrialized countries had invested huge sums in cracking plants, the site for the early stages of the refining process, demand for highly priced crudes had dropped.

"We believe that the problem in the market is not one of a crude surplus per se," Mr. Taher said, "but one of differentials. We found that our very heavy crude was selling at a premium price while Arabian Light was not getting the OPEC price, so we changed the mix to correct this distortion."

Nevertheless, in the opinion of an oil company executive in Riyadh, "the move is tantamount to a discount, since Saudi prices have dropped while volumes remain the same. This puts pressure on other members of OPEC, like Abu Dhabi, which have no heavy crudes to sell."

While Mr. Taher emphasized that "no Saudi oil is sold at a discount" and that "all crude leaving the kingdom is sold at the same export price," based on $29 a barrel for Arabian Light, he conceded that "balance by grade has been a tool of marketing policy for years."

It is hard, but not impossibe, to compare oil production with financial requirements in Saudi Arabia. Some SAMA statistics use an Islamic fiscal year, others are based on the Gregorian calendar, while Aramco, the consortium of four U.S. companies that handles most Saudi output, does not divulge the difference between its revenue and the government's.

In an off-guard moment, one SAMA official said that "the Finance Ministry has ordered Aramco not to release production figures." In fact, the Saudis never publish up-to-date oil production statistics, but Mr. Taher confirmed that "a policy decision was taken about as year ago not to divulge any more figures."

SAMA's report estimates oil production for the final three quarters of last year at an average of 5.3 million barrels a day, a figure close to IEA estimates, while the IEA puts first-quarter output for 1984 at 4.9 million barrels a day. This gives an average of 5.2 million barrels a day for 1983-1984, the fourth year of the current five-year development plan. With domestic consumption and storage at 800,000 to 900,000 barrels a day, this leaves at best 4.4 million barrels a day for export, and the SAMA report says that income accruing to the government from oil exports in 1983-1984 was 128 billion riyals.

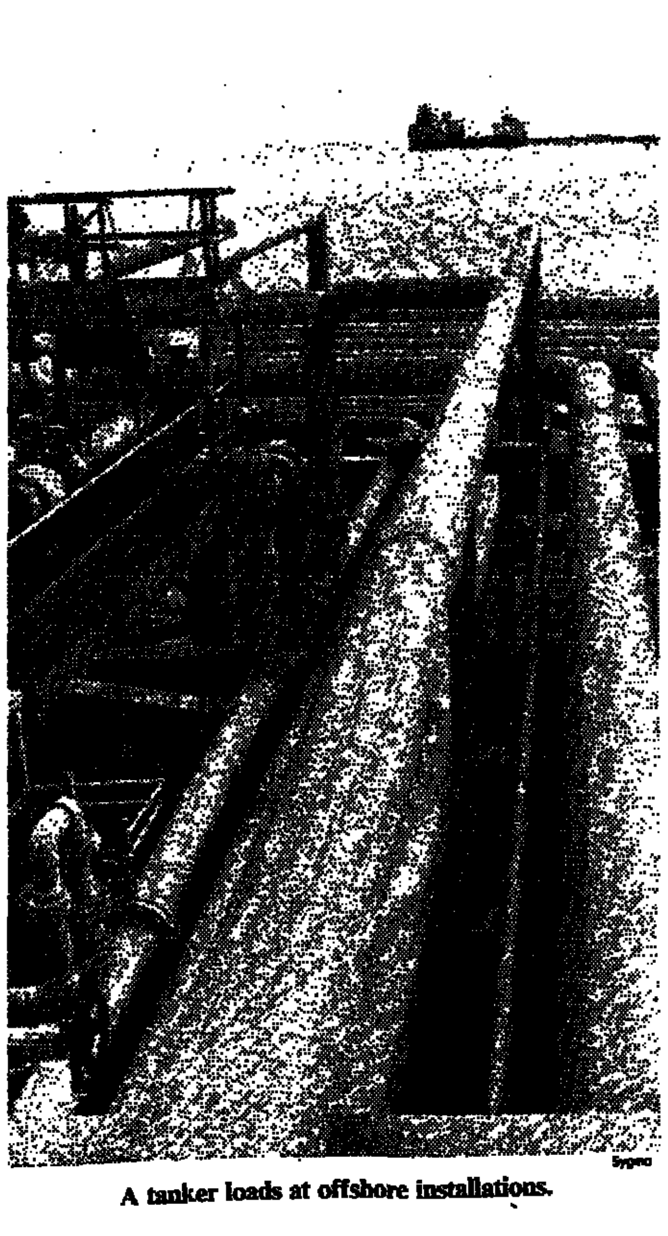
The SAMA report shows a budget estimate of government revenue in 1984-1985 of 151 billion riyals from oil exports. The budget deficit forecast is 45.9 billion riyals. Given last year's performance, and assuming no change in official oil prices, Saudi Arabia would have to export an average of 5.2 million barrels a day of oil throughout the fiscal year to raise the revenue and keep within the deficit without cutting expenditure.

The latest IEA figures put Saudi output for the second quarter of 1984 at 4.9 million barrels a day and for the third quarter at 4.1 million barrels a day, figures corroborated by independent observers in Riyadh. The average of 4.5 million barrels a day for the first half of fiscal 1984-1985 leaves at most 3.7 million barrels for export, and implies an unrealistic level for the second half if the budget is to be met.

To make matters worse, reports from the late-October OPEC meeting in Geneva said that Saudi Arabia had agreed temporarily to offset Nigeria's above-quota output of 150,000 barrels a day, as well as absorb a total of 52,000 barrels a day from the cutbacks falling on Ecuador, Indonesia and Venezuela. And even if the official OPEC prices hold, Saudi income will be depressed by 2.25 percent because of the change in the mix.

Government spending this year is believed to be running at about last fiscal year's level of 223.2 billion riyals, the lowest since the five-year plan started. With payments due on projects that are nearing completion, it is hard to see how it can be cut further compressed. A larger drawdown on reserves seems inevitable.

— ROBERT HOLLOWAY



Sygma

A tanker loads at offshore installations.

Saudiization Is Stepped Up; Private Sector Encouraged

RIYADH — A glance at a meal tray on any Saudi airline flight will illustrate the extent to which "Saudiization" — in its broadest sense, the promotion, use and ownership of local goods and services — has taken hold.

A year ago perhaps a couple of items on the tray would have been locally produced. Now it is usually five or six, from the cream crackers served with cheese to the wide variety of fruit juices. Government agencies are obliged to buy locally, where the product is available, and as markets become tighter, local companies are ensuring that the government does just that.

The government promotes local industry by creating an environment in which it can take root and flourish, rather than directly planning industrial development. The striking exception to this rule is the state's $20-billion investment in the new industrial cities of Jubail and Yanbu, where a range of petrochemical plants soon will come onstream, providing not only primary products for export but also feedstocks for downstream industries to be owned and run by the private sector.

Saudi Arabian Basic Industries Corp., or SABIC, which owns the Jubail and Yanbu petrochemical plants, also owns and runs the country's only steel mill, at Jubail. Otherwise the government, in line with its free-market philosophy, keeps a low profile and leaves it to the private sector to decide where and how it invests.

The minister of industry and electricity, Abdul Aziz al-Zamil, tells visiting foreign business delegations that he has no plans to give them. "The private sector has always shown that it is a better judge of the market and the needs of the market," he said.

Yet the government does have a considerable say indirectly in the way industry develops, for it provides the generous incentives — the cheap power, the soft loans, the free land and cheap utilities — that can swing an investment decision. First, it issues industrial licenses. More than 3,300 have been issued since licenses were introduced 10 years ago; 600 were granted in the last year. By 1982 about 1,500 licenses had been taken up and acted on, and a further 500 projects were under construction.

An industrial license is the key that opens the door to government largesse: a 10-year tax holiday for joint ventures, against five for commercial establishments (wholly owned Saudi companies do not pay tax); a plot in one of the six industrial estates run by the ministry; and duty exemptions on all raw materials and equipment imports.

Theoretically, the authorities determine where one locates one's business; in practice, there is flexibilty. In the past, industrial licenses were issued without much effort to check up on the companies. Some entreprising businessmen used their operations as a shell for commerce or warehousing. This situation is changing as the ministry becomes more proficient in its monitoring and as competitors complain. Although certain industrial sectors are saturated, an application for an industrial licence is invariably approved.

Further gentle guidance is provided by the Saudi Industrial Development Fund, or SIDF, which is government-owned but autonomous. It was set up to promote industrial development by offering soft loans for up to 50 percent of the capital cost of a project, repayable over 7 to 15 years.

Only about 20 percent of the 52 billion riyals that SIDF has disbursed since it was set up in 1974 has gone to industrial projects, the remainder being invested in the electricity and water sector. But this is changing as SIDF reaches maturity — new investments are now being financed out of repaid loans — and industry is taking an increasing share of the new loans. The fund has become an increasingly significant force in industrial development as its project and market analysis has improved. An SIDF loan is tantamount to market acceptance of a project's viability.

Fewer than half of factories operating in the kingdom are SIDF-financed, but these have tended to be the vital middle range of companies, which do not have the access to management skills that the bigger trading houses enjoy.

SIDF has helped shape industrial development by refusing to finance sectors such as building materials, aluminium frames and dairy products, which it considers saturated. If there is criticism of the fund it is that it behaves too much like a commercial bank and not enough like a development bank — a particularly controversial point in the present climate of tight credit.

Local industry also is helped selectively through tariffs, although the government's passionate commitment to free trade makes tariff protection a hotly debated issue. Tariffs are applied on about 70 items, but some of these tariffs are in abeyance. They range, within the guidelines laid down by the Gulf Cooperation Council, from 4 to 20 percent.

Mr. Zamil, the industry minister, insists that tariffs are within the limits set by the General Agreement on Tariffs and Trade and other international conventions for developing countries to support nascent industry. There are no quotas or voluntary restraints on trade, as happens in many countries, Mr. Zamil said.

The commerce minister, Sulaiman Abdul Aziz al-Sulaim, points out further that almost half of Saudi Arabia's imports come in duty free and that only a small percentage of the remainder attract the maximum 20-percent tariff.

Tariff protection is by no means automatic. The government has resisted a cement tariff, Mr. Sulaim said, because the case for dumping has not been proved; the kingdom's cement plants are operating at about 50 percent of capacity. A 20-percent tariff was imposed on cables, however, because the case for dumping was "very clear," the investment was large and Saudi Cable Co. employed Saudi labor, Mr. Sulaim said.

He said local industry took a circumspect view of tariffs. Those who look at the long term establish themselves before asking for tariff protection, so as not to invite local competition. Tariffs are theoretically a temporary measure, but Mr. Zamil at the Commerce Ministry sees them as part of a general framework of incentives in which industry will develop a potential point of conflict with the ministry, whose first loyalty is to the local customer.

For Mr. Zamil, tariffs perform the vital job of persuading foreign companies to invest in the kingdom and so facilitate the transfer of technology and management skills essential to the long-term success of the industrialization strategy.

There are few conditions put on joint venture operations; in practice they tend to be Saudi-controlled because joint ventures are eligible for SIDF loans only in proportion to the Saudi shareholding. Nor are there conditions on the amount of local content. But Mr. Zamil sounded a warning to foreign suppliers who refuse to move with the times.

"From now on we are not just going to be there as a market for all the products of the U.S., Europe and Japan without due regard to local content manufacture," he said. "It is important for those countries that have a major share of the market to recognize that if they want to keep that share for the long term they must have a local presence with a manufacturing base."

This kind of pressure already is bringing results from the Japanese, who dominate the auto market. Datsun and Toyota, the market leaders, are talking with the Saudis "because they realize that in the long term it is much better for them to have manufacturing bases in the kingdom," said Mr. Zamil, who emphasizes that he only wants industry with local content: "We need industry to add revenue and create jobs, high level jobs. If it doesn't do this we don't want it." For about 50 percent of the country's imports, Saudiization is unfeasible, he maintained.

The most ambitious attempt so far to promote technology transfer has been the Offset package tied to the $4-billion Peace Shield military program. Litton, Boeing and Hughes, all of the United States, have presented bids. Each has lined up $1 billion of potential Saudi and U.S. partners to match the $1 billion of construction work involved in Peace Shield. (The remaining $3 billion is for equipment.) The money required up front is relatively small, as the Saudi partners will take up most of the $250-million equity to obtain the maximum $500 million of SIDF loans. Only 50 percent of the $1 billion commitment has to be in place within five years.

The U.S. military is expected to decide on the package by the end of this month and the Saudi government to decide on the Offset package in January. Saudi officials consider the Offset package to be the key determinant of the winning bid. The most effective military package may therefore be passed over for an investment program that is thought to be more in tune with the kindgom's development needs.

It has yet to be seen how successful the complex Offset dealwill be. But it is the clearest signal yet of the government's determination to press ahead with Saudiization using what leverage it has to speed the transfer of management skills and technology.

At one level the government is detaching itself from economic decision-making but at another it is being dragged into playing an assertive role on behalf of the private sector. As the regional market becomes more integrated, it will be difficult to avoid Gulf Cooperation Council involvement in market planning. Saudi Arabia may find that in a world of shrinking markets the principle of government noninterference will be more honored in the breach than the observance.

— ALAN MACKIE

Children's ward in Riyadh's Military Hospital.

Middle East Photographic Archive Ltd.

Wide Range of Capital-Intensive Heavy Industry

RIYADH — Saudi Arabian industry is extremely diverse, ranging from heavy industry, such as steel production, to the small factory producing consumer goods for the local market. If these varying industries have a point in common, it is that they are highly capital-intensive — because of the free availability of funds — and are becoming more so as the kingdom's entrepreneurs acquire increasingly sophisticated machinery.

Traditionally, industrial development was geared to the needs of the construction boom, but that is changing dramatically. Four years ago the building-materials industry was by far the largest sector applying for industrial licenses. Now this sector trails far behind chemicals, plastics and engineering in applications for new licenses, and this trend is likely to intensify as the petrochemical complexes at Jubail and Yanbu start operating.

Saudi Arabia opted out of plans to produce aluminum when Bahrain went ahead with its smelter. The kingdom's heavy industry is limited to a steel mill that forms part of the Saudi Arabian Basic Industries Corp. (SABIC) stable of plants in Jubail. Now completing its second year of full production, the Saudi Iron and Steel Co., or Hadeed, produces 700,000 tons a year of steel, a little under design capacity of 800,000 tons. The aim eventually is to raise production 20 to 30 percent above design capacity, said SABIC's deputy chairman and managing director, Ibrahim bin Salamah.

Hadeed has two rolling mills, one producing 530,000 tons a year of reinforced bars (rebars) and the other 270,000 tons a year of wire rod. In addition, the Jeddah Steel Rolling Mill (Salb), now part of Hadeed's operation, will be producing 140,000 tons a year of rebars and wire rods. There are no plans to expand rebar production; expansion will be limited to extrusion products such as seamless pipes. Apart from wire rods, which are sold in the Gulf Cooperation Council countries, Hadeed sells all its production locally. Despite inexpensive imports, there is no tariff on steel.

Steel is one of the essential raw materials of construction, and steel fabrication is a thriving local industry, dominated by Saudi Building Systems, the Saudi affiliate of Kirby Systems of Kuwait, and the local al-Zamil Steel Co. Apart from stimulating a boom in recent production, construction has created demand, together with the oil industry, for pipes. National Pipe Co. of Dammam is the largest local producer of large-diameter steel piping. Its production was 87,000 tons last year.

Aluminum Products Co., or Alupco, operates Saudi Arabia's only extrusion plants, in Dammam and Jeddah, and supplies about half the local market's requirements of 40,000 tons a year for aluminum sections. It also runs a fabrication plant. Aluminum fabrication is an immensely popular local industry and competition is intense. There is an abundance of cheap imports, and a 20-percent tariff on aluminum.

Saudi Cable Co., the kingdom's largest private-sector employer, has also been given a temporary 20-percent tariff protection to combat cable imports while expanding production to 100,000 tons a year. It aims to cover about 70 percent of the local market. Projects in heavy engineering materials are still popular. The Saudi Industrial Development Fund (SIDF) recently approved two large loans for plants making copper tubing and ductile iron pipes.

The kingdom has a well-established fertilizer industry; the Saudi Arabian Fertilizer Co., SAFCO, of Dammam, was established in 1965. In the last two years, the al-Jubail Fertilizer Co., or Samad, one of SABIC's enterprises in Jubail, has come on stream and total fertilizer production is expected to rise to 815,000 tons a year in 1984. SAFCO also produces about 260,000 tons a year of sulfuric acid, sulfur and ammonia. With the help of a SIDF loan, SAFCO is constructing a melamine plant. SIDF is also helping with the construction of a blended fertilizer plant.

Chemical products are becoming a popular sector. SIDF is funding a plant that will produce polyethylene pipes and fittings for drip-irrigation systems.

Saudi companies produce medical syringes, detergents, paints and surface coatings. So far, however, there has been only cautious private-sector interest in secondary and tertiary petrochemical plants, which would produce the raw materials for many of these processes.

General manufacturing and consumer products are also gaining in popularity. Saudi Arabia's flagship industrial enterprise, Jubail's truck assembly joint venture with Mercedes-Benz, has become a paragon of industrial development, creating a network of ancillary industries that has raised the local content of production to more than 50 percent. Since the Jeddah plant started operations in September 1977, more than 40,000 trucks have rolled off the assembly line. There are small bus assembly operations as well, and recently Massey Ferguson began assembling tractors in the kingdom.

Manufactured goods, in the broadest sense — from electrical goods to truck bodies and wire fencing — accounted for 38 percent of all factory starts in 1982-1983, and this sector will be of growing importance. Similarly, consumer products, textiles and leather goods, footwear, curtains and furniture as well as processed foods, paper packaging and bottled mineral water and beverages show dramatic growth as communications become easier and marketing improves.

Most Saudi products are geared to local markets. But as these become tighter, manufacturers look increasingly to export markets, especially in the GCC. The secretary-general of the Riyadh Chamber of Commerce, Abdullah Dabbagh, is calling for the creation of an export promotional council to look at ways to encourage local industry exports.

"What they need is push," Mr. Dabbagh said. "Some kind of direct subsidy should be used, as there can be no tax concessions."

The Ministry of Commerce is using its commercial attachés abroad to promote Saudi industry rather than Saudi culture. It arranged stands at the Damascus Fair in August and in Baghdad in November, where 11 companies exhibited, and at the recent Kuwait Industrial Fair.

— ALAN MACKIE

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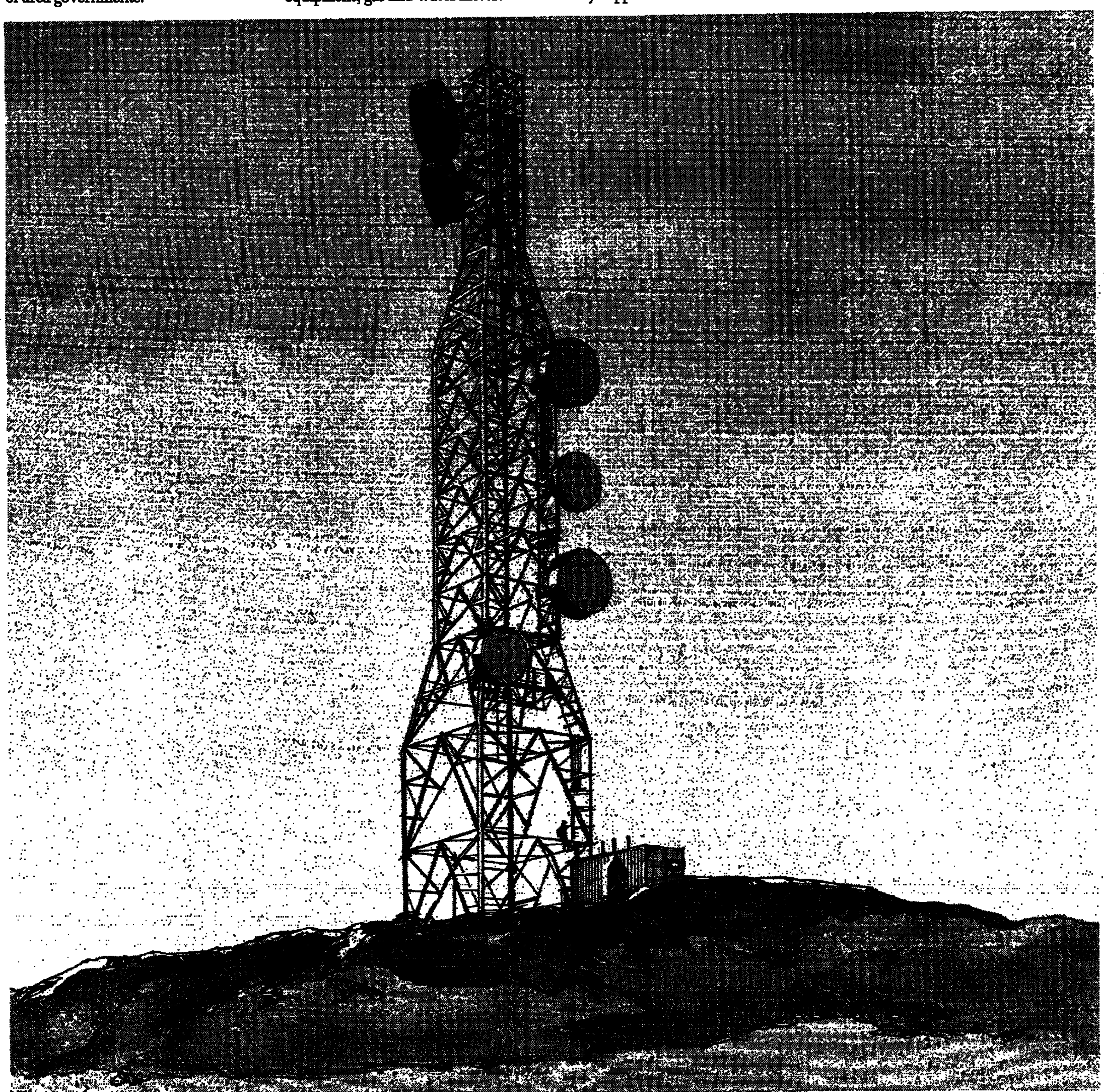
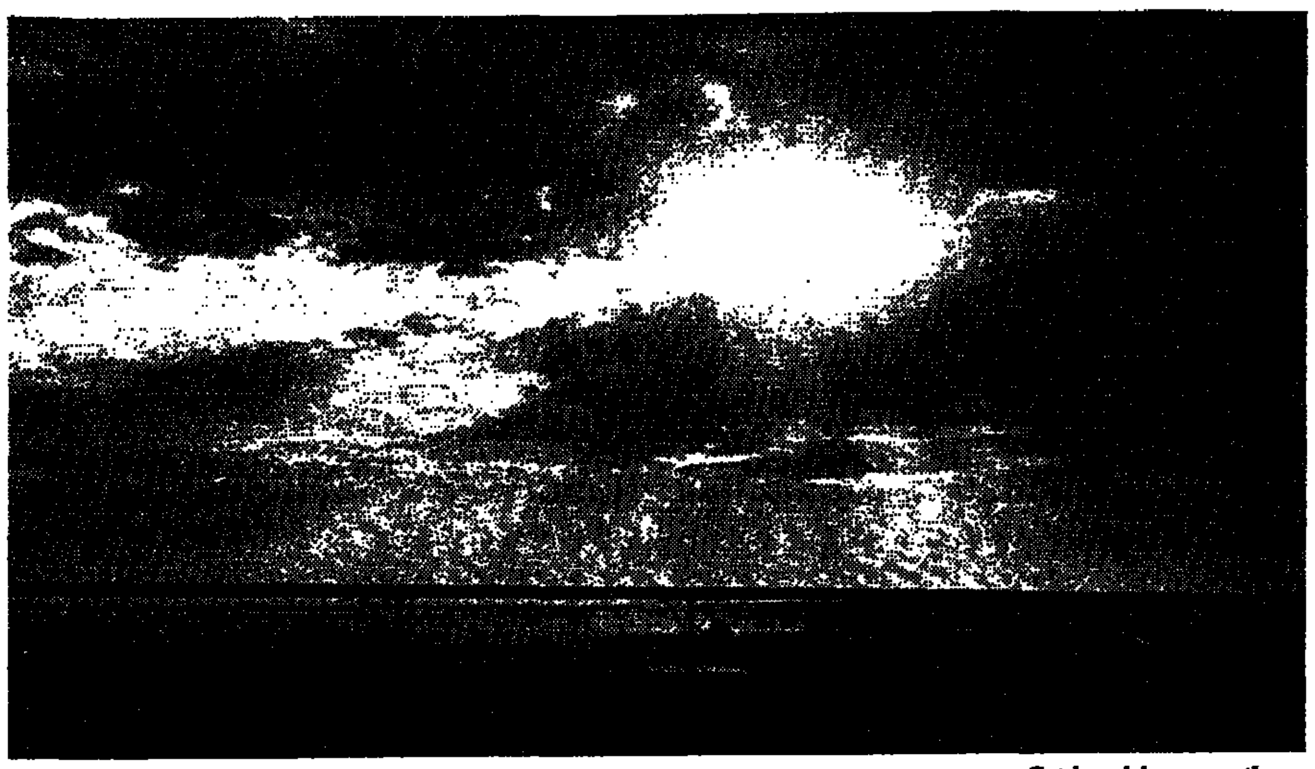


A Rockwell microwave installation for the Saudi Arabian Intra-Kingdom Network.




Cattle-raising operations at the SaadCo. farm project.

The Private Sector's Varied Responses to Financial Shakeout and Leaner Times

RIYADH — The Saudi private sector has responded to the current financial shakeout in various ways. Well-run companies saw the recession coming, drew in their horns, phased down their commitments, trimmed costs and began looking for new markets. Ill-prepared companies forged ahead, dangerously overextended, but blissfully unaware of what was happening until the eleventh hour.

A typical company in the second category might be negotiating for a loan to build, say, a crusher plant long after crusher plants went out of fashion. Having met with singularly little success after nine months of talks with one bank, the manager treks around to others, only to find that doors that were once opened wide now are firmly closed.

An approach to the Saudi Industrial Development Fund (SIDF) is rebuffed because late payments on a loan taken out in 1978 are outstanding. No one at the fund has made much of a fuss about such irregularities as late payments, however, and it had made much more sense to the company to invest in property instead of paying back the loan. During the good times, the company prospered despite itself, but now SIDF, having become more professional in its operations, is asking for its money back.

Although the writing has been on the wall for well over a year, father and sons who run the company refused to read it. The company scrabbles by on small contracts but the 6-percent margin it makes in no way covers the overhead. At any time the company could become another SIDF debtor with a foreclosed mortgage. Meanwhile the business is slowly hemorrhaging to the tune of 2 million to 3 million riyals a year. In a desperate bid to cut costs, the family starts firing expatriate staff, haphazardly — for being late for work or for trivial errors.

The vast majority of companies are somewhere in between the very well-run and the severely mismanaged, between the large merchant families — the Ali Rezas, the Juffalis, the Olayans and the Zamils, who among them own about 40 percent of Saudi industry and are largely immune from the credit crisis, having large financial reserves and access to the most sophisticated management — and the small-time operator who runs his factory like a stall in the souk. There are about 20,000 "establishments" engaged in some sort of construction or industrial activity in addition to the 1,600 licensed factories.

A large proportion of the small-timers will disappear in the shakeout. Now, they are just hanging on. One analyst said, "There are a lot of long pockets supporting ailing projects. They refuse to accept that they are making a loss."

Then there is an important group in the middle ground. They have seen the need for change, invested in modern equipment and brought in expatriate management, but do not give the management its head, either because of financial restraints (the souk mentality permeating the boardroom) or because they insist on running the show themselves.

The industrial sector has not yet felt the brunt of the recession, as it has been relatively cushioned by the buoyancy of local demand; industrial production accounts for 15 percent of total demand.

However, a typical example of an industrial company that has been exposed to the downturn is Saudi Plastic Products Co., or Sappco, a supplier of plastic piping for agricultural and water and sewerage projects. Sappco grew and prospered on the back of the construction boom, becoming one of the largest PVC producers in the world. Its Riyadh plant has capacity for 38,000 metric tons a year of PVC and 4,200 tons a year of polystyrene insulation board. Demand for plastic piping is down from 100,000 tons a year in 1982 to 70,000 tons a year, and Sappco has lowered its production accordingly, laying off a third of its 600 workers (most of them were accommodated in the parent company's other operations).

Although margins are down and competition is stiff, Sappco still hopes to cover about half the market's needs. According to its general manager, Abbas Aggad, customers are becoming more concerned about specifications, which is the company's best insurance against low-quality imports. "People are looking for quality as well as price," he said. The company is looking at new product lines; a new PVC window and ways in which PVC might be used in the frame building industry are being investigated, and after-sale services are being improved. Summing up the changes, Mr. Aggad said: "Before 1982 you had to make and sell. Now you have to sell and make."

A keen sense of the market's needs is a prerequisite in this market, as is entreprenurial adaptability. One local, finding that the bottom fell out of his plastic straw business when soft-drink packaging changed, adapted his plastic extrusion lines to produce ball-point pens. He now has a thriving company.

Another essential requirement is tight diversified management and strong financial control. Unlike the large commercial and industrial conglomerates, which have long lived with the concept of independent profit centers, the notion of having to give up control tends to strike at the identity of family businesses. Yet many now have to forgo control in the search for credit.

The first port of call is the bank. But the banks are wary about lending and in most cases are not properly geared up to term lending which is the kind of financing that companies increasingly need. Some family-owned limited liability companies assumed after the Saudi Basic Industries Corp. share issue earlier this year, and the ensuing publicity, that every Saudi citizen should acquire a stake in the country by buying shares and that any company could raise capital on the stock market.

"It amuses me to see these family companies come to offer their shares for the good of the country," said one banker. The government is committed to the principle of privatization of its own wealth-making operations and is anxious that large Saudi companies also go public, but untried private companies wanting to go to the market will face a long wait.

First, the nature of the stock market has not been decided. Hopes of developing a stock exchange took a knock from the *Souk al-Manakh* crash in Kuwait. Now, with the downturn in the economy, there is even greater caution about share flotations. "If the stock exchange isn't on ice, it should be," a market analyst said.

Still, the authorities are pushing ahead cautiously with selected flotations, according to Abdul Aziz Dukhail, whose Consulting Center for Finance and Development is officially commissioned to prepare flotations. Four are in the pipeline: National Industries Co. (NIC), applications for which are now open, closing shortly before the end of the year; Saudi Pharmaceutical Industrial Co.; al-Rajihi Co. for Currency Exchange & Commerce; and Saudi Cable Co. On Commerce Ministry instructions, the issues are being phased and the Rajihi flotation is now not likely to come to the market before July, Mr. Dukhail said.

Meanwhile, all eyes are focused on NIC, on whose fortunes many hopes and reputations hang. NIC could not have chosen a worse time to come to the market, with share prices languishing at around half their historic highs, and confidence has not been helped by the government's instructions to state institutions to pull out of the company. Nevertheless, most market observers believe the 450-million-riyal issue (225 million paid up) will be oversubscribed. The minister of industry and electricity, Abdul Aziz al-Zamil, points out that the share float is relatively small. "NIC is [equivalent to]) no more than one medium-sized plant, but the concept is very important," he said.

In the absence of investment banking, NIC will form an indispensable function in identifying, promoting and to some extent underwriting industrial projects by going into joint ventures with foreign partners and then selling a proportion of the equity to the public. In other cases, it will make investments, and the company also will have a division promoting and running service-related industries.

The first NIC launch will be Saudi Pharmaceutical Industrial Co., due in the market immediately after NIC. Mahsoun Jalal, the company's founder and chief executive, has four other projects ready for launching: two in downstream refineries, one in tertiary plastics, and one in downstream iron and steel manufacturing, as well as five or six other ideas. Mr. Jalal pointed out that, contrary to some reports, NIC has no formal link with the Offset military/industrial funding program but will consider becoming involved with individual projects on their merits.

Mr. Zamil would like a number of companies like NIC to serve the market. They would form an important link, in the absence of a capital market, for limited liability companies wanting to become joint stock operations — for those middle-ground companies that want to develop but have no means of doing so.

— ALAN MACKIE

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Herald Tribune INTERNATIONAL
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MONDAY, DECEMBER 3, 1984

EUROBONDS

Menu of New Issues Shows Fading Taste for Gimmicks

By CARL GEWIRTZ
International Herald Tribune

PARIS — Plain, old-fashioned vanilla was back in favor in the Eurobond market last week, as issues with bond warrants, delayed or partial payment or other gimmicks faded in popularity.

Instead, classically-structured straight debt — noncallable, fixed-coupon issues — dominated the calendar for new issues. Investment bankers hailed what they called the return of securities that investors want to buy.

But the investors in this case are obviously institutions — bond funds, pension funds and the like — rather than individuals. This was the inescapable conclusion to be drawn from the disparity between the return available on the new issues and the much higher return available on seasoned bond trading in the secondary market.

Only institutional investors who can claim a share of the 1¼-percent selling commission and, in some cases, an underwriting fee for participating in the new issues have an incentive to disregard higher-yielding paper on the secondary market.

The most notable of the new issues was for Kellogg, a triple-A rated U.S. corporate name, a class of borrower favored by the Swiss. It sold $100 million of five-year notes at a discount of 99¾, bearing a coupon of 10⅞ percent, and $100 million of seven-year paper at the same discount, bearing a coupon of 11¼ percent.

Eurobond Yields
For Week Ended Nov. 28

U.S.$ lg term, Int'l inst.	11.75 %
U.S.$ long term, ind.	12.17 %
U.S.$ medium term, ind.	12.29 %
Can.$ medium term	12.43 %
French Fr. medium term	11.31 %
Yen lg term, Int'l inst.	7.14 %
ECU short term	9.61 %
ECU medium term	10.28 %
ECU long term	10.39 %
EUA long term	9.21 %
FLx lg term, Int'l inst.	10.32 %
FLx medium term	10.17 %

Calculated by the Luxembourg Stock Exchange.

Market Turnover
For Week Ended Nov. 30
(Millions of U.S. Dollars)

	Total	Dollar	Non-dollar Equivalent
Cedel	12,456.20	10,843.00	2,593.20
Euroclear	32,294.70	30,148.50	2,146.20

The coupon on the five-year note set a low in the current cycle of declining interest rates. Most interesting was the optical difference in coupon compared to the U.S. Treasury's sale of $1 billion of five-year notes, which carried a coupon of 11¼ percent. The difference is smaller than would appear because Kellogg pays underwriting fees and selling commissions and the Treasury does not.

NEVERTHELESS, it demonstrates that, while the yield on the Treasury notes sets an important benchmark for this market, it is only a reference point rather than, as in New York, the absolute bottom. Bankers estimate that $700 million of the Treasury paper was taken by Japanese investors.

This is the cause of some lament, as bankers claim that, with some much of the issue locked away in Tokyo, there is not enough paper available for trading and therefore the secondary market for these specially-targeted issues is not so liquid.

The reception of the $100 million in five-year notes for the European Community appeared to confirm the focus on front-end fees rather than on value.

The EC notes were priced at par bearing a coupon of 11⅛ percent — yielding about 20 basis points more than the Kellogg notes. But the gross commissions of 1⅞ percent on the EC issue were less than the professionals wanted, and the notes traded at a steeper discount, 98¼, than the 98⅝ on the lower-yielding Kellogg paper.

Meanwhile, bankers were waxing enthusiastic about the ap-

(Continued on Page 19, Col. 4)

Economy Steadies In U.S.

Downturn Said To Moderate

The Associated Press

NEW YORK — The U.S. economy appeared to have settled into a lower level of activity in November, following a decline earlier in the fall, the National Association of Purchasing Management said Sunday in its monthly report.

Production and employment drifted lower in November and inventory levels remained unchanged, the association said. It said the speed of vendor deliveries improved slightly, confirming a continuing lower level of business.

The Purchasing Managers' Composite Index rose slightly to 52.1 percent in November from 50.8 percent in October, after having dropped to 49.6 percent in September, the report said.

According to the association, an index of more than 50 percent indicates the economy is expanding, while a reading below that level indicates a declining economy.

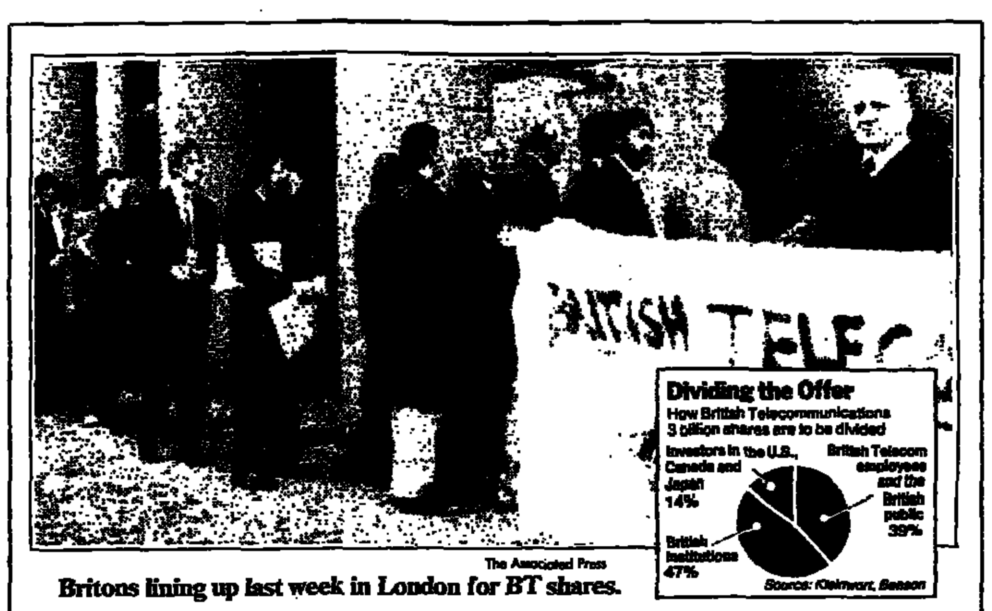
The index peaked this year at 61.5 percent in February, the association said.

The latest figures indicate that "the economy appears to be pausing in November, after declining for several months," said Robert J. Bretz, chairman of the association's business survey committee and director of corporate purchasing for Pitney Bowes Inc.

According to the report, 24 percent of the purchasing managers said employment was lower at their companies, compared with 20 percent in October and 14 percent in September. The percentage reporting lower employment was the highest since the 36 percent reported in January 1983.

Production growth rates declined for the fifth consecutive month, the report said. Only 18 percent of the purchasing managers surveyed reported higher production levels, the worst performance since December 1983, when only 7 percent reported better production.

The level of new orders, considered an important signal of future production, remained unchanged in November.



Britons lining up last week in London for BT shares.

BT Sale Boosts Kleinwort's Image

By Barnaby J. Feder
New York Times Service

LONDON — One of the best kept secrets of the British Telecom PLC share offering completed last week has been the total fees paid to Kleinwort Benson Ltd., the merchant bank that planned and ran the historic £3.92-billion ($4.76-billion) sale for the British government.

Although estimates have ranged up to £10.1 million, City of London sources say between £2.9 million and £4.2 million is more plausible. Analysts judge that the return was modest, given management time devoted to the two-year BT project and the risk to the bank's image had the sale gone awry.

"The real advantage to Kleinwort from this has to be the gain for their reputation," said John Tyce, an analyst who follows merchant banks for Laing & Cruickshank, a London stockbroking firm. "Previous experience tells us that the margin on privatization deals for the government is slim."

The investment in a more lustrous profile may prove valuable. For while Kleinwort, Britain's largest merchant bank by capitalization, is widely respected, other banks, such as Morgan Grenfell & Co., have better reputations in the headline-grabbing area of mergers and acquisitions. S. G. Warburg & Co. and Samuel Montague & Co. are better known in international capital markets. Nor is Kleinwort seen as London's pacesetter in corporate finance or funds management.

"The area we are biggest in is traditional banking — lending money and financing our customers," said Martin Jacomb, Kleinwort's vice chairman. However, Mr. Jacomb said, Kleinwort has a substantial business in almost every major merchant banking activity.

Kleinwort also owns Sharps, Pixley & Co., a leading bullion traders, oil interests in the North Sea, and trading and shipping subsidiaries.

Many analysts reckon Kleinwort to be among the City's most profitable merchant banks. In 1983, disclosed profits after unspecified transfers to inner reserves for Kleinwort, Benson, Lonsdale PLC, the bank's holding company, were just more than $26 million, up 8 percent on 1982. Share capital and disclosed reserves were more than $258 million and assets at almost $5.6 billion, as of June 30.

That financial foundation is large in City merchant banking

(Continued on Page 19, Col. 5)

Offering Is 4-Times Oversubscribed

Reuters

LONDON — The British government's sale of shares in British Telecom PLC was more than four times oversubscribed, Kleinwort Benson Ltd., the lead underwriters, said Sunday.

Applications for the British part of the offer totaled 12.75 billion shares. The government is selling 3.01 billion shares amounting to just over half the company's ordinary share capital.

Within this offering, 415 million shares are being sold under separate arrangements in North America and Japan: 180 million to each the United States and Japan and 55 million to Canada.

Trading in the new shares will begin Monday at 3 P.M. London time in London, New York and Toronto.

Due to the oversubscription, allocations under the British offering are being heavily scaled down in favor of the small investor.

Kleinwort Benson said applicants for 200 to 400 shares will be allotted in full. Applicants for 800 shares will get 500, while those for 1,200 will get 600. Investors wanting between 1,600 and 100,000 shares will only get 800. No allocations will go to those wanting more than 100,000 shares.

British Telecom employees wanting up to 20,000 shares will be satisfied in full, but no staff member will get more than 20,000.

Overall, the British Telecom issue is being 47.4 percent sold to institutional investors, under arrangements announced in November, and 34.3 percent to the public. Telecom staff and pensioners get 4.6 percent and North America and Japan, 13.7 percent.

Comsat Drops Satellite Plan, Cites Big Risks

By Andrew Pollack
New York Times Service

NEW YORK — A proposed joint venture that would broadcast television programs from satellites directly to home antennas has fallen apart, casting a cloud over the future of a promising new technology.

Communications Satellite Corp., the first company to formally propose a direct broadcast satellite service, said Friday it had ceased negotiating with its two prospective partners, Prudential Insurance Co. of America and Douglas F. Ruhe, chief executive and co-owner of United Press International. Citing "unacceptable" risks, Comsat said it was abandoning most of its effort in the field and would take a $24-million pretax write-off.

In response, Prudential announced that it was close to shutting down its existing venture in that business, United Satellite Communications Inc. United Satellite is the only company that actually provides direct satellite-to-home broadcasts, but it has been having financial troubles.

"Prudential has substantial concerns about its investment in USCI in light of Comsat's decision," Prudential said. United Satellite's directors will meet soon to consider the company's future, it added.

Prudential, which owns 51 percent of United Satellite, said it had invested $68 million in the company. Other shareholders include General Instrument Corp.

Comsat, based in Washington, filed the first proposal for a direct broadcast satellite service in 1980, saying it would require $1 billion to build a system that would serve the country by the late 1980s. The company tried but failed to find partners to share the risk.

When United Satellite started service in November 1983, company officials said they expected to have one million customers within three years. But after one year the company has attracted only 10,000 customers.

The withdrawal from the business of the only participant and the leading prospective participant could seriously dampen the prospects of a technology that a few years ago was generating great excitement.

However, there are still several companies that have proposed to the Federal Communications Commission to offer direct satellite broadcast systems to homes. Those ventures are not likely to start operating for two more years.

The idea of direct broadcast satellite systems is to beam television programs directly from special satellites to rooftop antennas.

Irving Goldstein, president of Comsat, said that the proposed venture "was simply too great a risk and too great a burden" for his company to endure.

FDIC Forces Bank Changes

New York Times Service

CHICAGO — The Federal Deposit Insurance Corp., which saved Continental Illinois National Bank & Trust Co. from bankruptcy last summer, is requiring 10 of its 16 directors to resign.

John E. Swearingen, the new chairman of the bank's holding company, will announce the move Monday, banking officials said. Among the directors being asked to step down are chairmen of some leading U.S. corporations.

Federal banking officials said privately Saturday that they had taken the unusual step of asking for the resignation of the board members to help signal other boards that they should oversee their banks' officers more closely to help reduce the risks of bad loans and bank failures.

After arranging a $4.5-billion rescue for Continental, the FDIC was given the power to demand changes in the bank's management, and indicated it would do so. Mr. Swearingen, who was not asked to step down, was said to have objected to the agency's demand because it could disrupt the bank's operation.

Low Swedish-Note Price Shocks Eurodollar Experts

By Carl Gewirtz
International Herald Tribune

PARIS — Note-issuance facilities, those hybrid financial instruments which straddle the bank-credit market and public-securities market, broke new ground in the Euromarket last week.

Sweden demonstrated how cheaply money can be raised; Nestlé showed the market is broadening by launching a $1-billion facility, the largest yet for a corporate borrower; and Merrill Lynch attempted to redefine how the notes are distributed.

The major development was Sweden's putting up for auction $200 million of short-term notes, its first drawing on a $4-billion facility arranged a few months ago. The winning bids were priced from 13.56 basis points (0.1356 percent) to 35 basis points below the London interbank bid rate. The average cost to Sweden was 14.83 basis points below Libid.

The pricing was a shocker. Some experts contend that it heralds the beginning of the end of the inter-

SYNDICATED LOANS

bank rate as the base rate for the floating-rate sector of the Eurodollar market.

The interbank offered rate (Libor) is the rate at which banks lend money while the bid rate (Libid) is what banks pay to attract time deposits, generally for a minimum of $5 million.

The Swedish pricing shows that non-bank clients do not have ready access to the bid, or deposit, rate and are willing to accept substantially less both for high-quality investment and for the opportunity to diversify away from unique reliance on banks as deposit outlets.

Depending on how hungry a bank is for deposits, non-bank clients will generally earn less than Libid. These clients will be offered certificates of deposit. Currently, CDs from a top-class U.S. bank pay 25 basis points less than the quoted Libid rate for the same maturity.

Until now, depositors had limited choices. They could accept this below-Libid rate from the top banks, put their money with lesser quality banks at Libid (or perhaps even higher for ever riskier quality), or buy floating-rate notes priced at Libid, Limean (the mean of the bid and offered rate), or Libor — and often carrying a margin over the base rate.

The problem with FRNs is that they are medium-term securities, meaning there is no guarantee that the paper can be sold at the same price it was bought before final maturity. It is generally expected that the notes will trade at par value on any interest fixing date — but that is not a certitude.

Enter Euronotes. These are short-term securities which are redeemed at face value and then reissued. The investor thus runs no capital risk, assuming of course the issuer is a good credit risk and does not default.

That these instruments appeal to non-bank institutional investors is demonstrated by the fact that $192 million of Sweden's maiden offering was taken by Crédit Suisse First Boston for resale to its clients.

At almost the same time, Sweden had also put up for auction $700 million of 20-year FRNs that can be redeemed in five years at par. The accepted bids ranged from a high of 99.42 percent of face value to a low of 99.28 percent. The average price was 99.31. The cost for Sweden, on a discounted value basis, to the first put in five years works out to 17 basis points over Libid, which is the stated interest rate.

Thus, there is a gap of almost 30 basis points between the 13.6 basis points below Libid on the three-month Euronotes and the 17 basis points over Libid on the five-year FRNs.

Offered along with the FRNs were income rights, which investors could buy for $70 each to generate the additional income needed to lift the return to a small premium over Libor. This was needed, lead manager Morgan Guaranty Trust thought, to enhance the appeal of the notes to investors who want assets based on Libor to match their liabilities based on Libor.

Morgan originally expected not more than 30 percent of the income rights to be taken. But in fact just over 50 percent of the FRN subscribers took the income rights.

Nestlé is planning to raise a $1-billion, three-year note facility to help finance its $3-billion takeover offer of Carnation Co. The facility can be canceled within 90 days if the bid is not approved. The facility is structured to give Nestlé access to a very low cost of funds if the notes (or commercial paper) are sold to investors and to give the banks a very generous return if they are forced to take the notes.

In the first year, the full $1 billion is available for drawing; in the second year this drops to $600 million, and in the final year to $300 million.

This will be a backstop to the sale of Euronotes or commercial paper in New York. The Euronotes can be offered for maturities of one, two, three or six months and Nestlé has the right to ask banks to try to sell 12-month notes on a best-efforts basis.

Banks are being invited to underwrite a maximum of $500 million worth of Euronotes (for banks who have no New York office and cannot back the sale of commercial paper) or a portion that may be more than $500 million to back Euronotes or commercial paper. Underwriters are asked to take $10 million, $20 million or $50 million, but an underwriting fee of 1/32 percent, or 3.13 basis points, will be paid only to those taking $50 million. This rises to 5 basis points for each of the following two years or in the first year, if the banks are asked to supply funds.

Fees to issue the Euronotes range from zero (if less than one-third of the total facility is used this way), to 7.5 basis points for up to two-thirds usage and to 15 basis points if more is used. Thus, the maximum cost on this portion is 20 basis points.

The notes, if offered, will bear interest pegged to Libor. A tender panel will bid for the notes and the maximum yield Nestlé will accept — at which point the underwriters take the notes — is set at Libor. Actually, manager Crédit Suisse First Boston expects the paper could be sold at ⅜-point below Libor (which is equal to ¼-point below Libid).

If the "swingline" backing up commercial paper is used, interest will be set at the prime rate and banks will earn a drawing fee of 1 basis point. The swingline can be used for a maximum of seven consecutive days.

The tender panel system of issuing notes — wherein banks submit competitive bids and may or may not receive paper at a range of prices deemed acceptable — is considered by many banks to be self-destructive as the banks are asked to compete against themselves. In

(Continued on Page 19, Col. 7)

Last Week's Markets

All figures are as of close of trading Friday

Stock Indexes

United States

	Last Wk.	Prev. Wk.	% Ch'ge
DJ Indus.	1,188.94	1,220.30	—2.57
DJ Util.	145.62	145.72	—0.69
DJ Trans.	522.25	532.99	—2.02
S & P 100	161.05	165.35	—2.60
S & P 500	163.58	166.92	—2.00
NYSE Cp.	94.30	96.10	—1.87

Data from Prudential/Bache Securities.

Britain

FTSE 100	1,181.30	1,158.60	+1.92
FT 30	918.10	910.30	+0.85

Hong Kong

Hang Seng	1,128.10	1,096.04	+2.84

Japan

Nikkei DJ	11,428.90	11,207.70	+1.93

West Germany

Commerzbk	1,089.90	1,085.60	+0.39

Non-U.S. indexes from James Capel & Co. London.

Money Rates

United States	Last Wk.	Prev. Wk.
Discount rate	8½	8½
Federal funds rate	8 13/16	8⅞
Prime rate	11½	11¾
Japan		
Discount	5	5
Call money	6 7/16	6 3/16
60-day interbank	6.30	6¼
West Germany		
Lombard	5.50	5.50
Overnight	5.45	5.45
1-month interbank	5.80	5.50
Britain		
Bank base rate	9½	9½
Call money	9⅝	9⅝
3-month interbank	9¾	9 11/16

Dollar	Last Wk.	Prev. Wk.	% Ch'ge
Bk Engl Index	142.90	140.80	+1.47
Gold			
London p.m. fix. $	329.00	341.50	—3.66

Rate and gold data from Citibank, $ from James Capel.

Currency Rates

Late interbank rates on Nov. 30, excluding fees.
Official fixings for Amsterdam, Brussels, Frankfurt, Milan, Paris. New York rates at 4 P.M. EDT.

	$	£	D.M.	F.F.	It.L.	Gldr.	B.F.	S.F.	Yen
Amsterdam	3.4915	4.193	112.80 *	36.815 *	0.1823	—	5.614 *	137.32 *	141.45 y
Brussels(a)	62.26	74.7175	20.1115	6.565	3.2488 *	17.8348	—	24.46	25.199 *
Frankfurt	3.0963	3.714	—	32.65 *	1.617 x	88.65 *	4.975 *	121.66 *	1.253 *
London (b)	1.1975	—	3.726	11.4105	2,294.75	4.2008	74.805	3.0645	297.26
Milan	1,910.00	2,299.50	619.00	201.80	—	549.20	30.813	752.05	7.752
New York(c)	—	1.1948	3.113	9.5335	1,921.00 *	3.5075	62.58	2.5625	247.58
Paris	9.489	11.391	306.36 *	—	4.96 x	271.57 *	15.24 *	372.74 *	3.8415 *
Tokyo	246.50	295.74	79.77	26.06	12.92 *	70.74	395.55 *	97.17	—
Zurich	2.548	3.064	82.33 *	26.87 *	0.1331	72.98 *	4.0942 *	—	1.0299 *
1 ECU	0.7218	0.6013	2.2353	6.8427	1,382.08	2.5191	44.9188	1.8368	178.25
1 SDR	0.989348	0.82487	3.06332	9.38792	1,890.40	3.4543	61.5968	2.5186	243.676

Dollar Values

$ Equiv.	Currency	Per U.S.$	$ Equiv.	Currency	Per U.S.$	$ Equiv.	Currency	Per U.S.$
0.8601	Australian $	1.1627	1.0035	Irish £	0.9965	0.4606	Singapore $	2.171
0.046	Austrian schilling	21.73	0.0017	Israeli shekel	586.68	0.539	S. African rand	1.8553
0.016	Belgian fin. franc	62.445	3.3311	Kuwaiti dinar	0.3002	0.0012	S. Korean won	822.75
0.7564	Canadian $	1.322	0.4144	Malay. ringgit	2.413	0.0058	Span. peseta	172.55
0.0897	Danish krone	11.145	0.1119	Norw. krone	8.9345	0.1135	Swed. krona	8.8125
0.1557	Finnish mark	6.4225	0.05	Phil. peso	19.992	0.0253	Taiwan $	39.48
0.0079	Greek drachma	126.55	0.0061	Port. escudo	165.02	0.037	Thai baht	27.045
0.1277	Hong Kong $	7.83	0.2808	Saudi riyal	3.5613	0.2722	U.A.E. dirham	3.6733

£ Sterling: 1.2005 Irish £

(a) Commercial franc (b) Amounts needed to buy one pound (c) Amounts needed to buy one dollar (*) Units of 100 (x) Units of 1,000 (y) Units of 10,000
N.Q.: not quoted; N.A.: not available.

International Bond Prices - Week of Nov. 29

Provided by White Weld Securities, London, Tel.: 623-1277; a Division of Financière Crédit Suisse-First Boston
Prices may vary according to market conditions and other factors.

(Continued from Page 6)

Amt	Security	%	Mat	Middle Price	Yield Mat	Yield Ave Life	Yield Curr
$ 75	Walt Disney Productio	12¼	'89 Mar	104	11.23		12.02
$ 15	Ward Foods O/s Capita	5¾	'88 Nov	62½	20.57	22.56	9.20
$ 100	Warner-Lambert Intl	10⅛	'90 Feb	97¾	10.82		10.49
$ 100	Wells Fargo Co	13⅛	'91 Sep	104½	12.39		12.83
$ 100	Wells Fargo Co	12⅝	'91 Dec	97¾	13.12		12.92
$ 75	Wells Fargo Intl Fina	15	'85 Sep	101	13.34		14.85
$ 75	Wells Fargo Intl Fina	15	'87 Mar	102½	13.68	-	14.67
$ 50	Weyerhaeuser Capital	10½	'90 May	94	12.02		11.17
$ 60	Weyerhaeuser Capital	11½	'90 Nov	96½	12.36		11.92
$ 150	Weyerhaeuser Co	12⅞	'87 Oct	107¼	11.47		12.04
$ 100	Xerox Finance	14	'87 Aug	103¼	12.44		13.56

DM STRAIGHT BONDS

AUSTRALIA

Amt	Security	%	Mat	Middle Price	Yield Mat	Yield Ave Life	Yield Curr
dm 100	Australia	7	'87 Feb	100	6.98	6.96	7.00
dm 200	Australia	8¼	'87 Oct	103	7.03		8.01
dm 250	Australia	6	'88 Sep	99	6.30		6.06
dm 250	Australia	5¾	'89 Nov	98	6.23	6.42	5.87
dm 250	Australia	8⅛	'90 Mar	103⅝	7.23		7.83
dm 200	Australia	9⅜	'91 Feb	110	7.30		8.52
dm 300	Australia	9⅜	'91 Dec	110¼	7.36		8.47
dm 200	Australia	7½	'92 Nov	104½	6.99		7.42
dm 200	Australia	6⅞	'93 Jan	98¾	7.08		6.96
dm 600	Australia	7¼	'96 Nov	99	7.38		7.32
dm 50	Australian Ind Dev Co	6¾	'87 Nov	99¾	6.84	6.88	6.77
dm 50	Comalco Invest Europe	7¾	'86 Jun	100¼	7.16	6.99	7.89
dm 100	Hamersley Iron Fin	6¾	'87 Jul	99⅝	6.84	6.88	6.77
dm 100	Mount Isa Finance	7⅝	'90 Mar	100¾	7.44		7.57
dm 100	Mount Isa Finance	7¾	'92 Apr	102½	7.29		7.56
dm 50	Papua New Guinea	6¾	'88 Jul	100¼	6.65	6.61	6.73
dm 100	Queensland Alumina	8½	'85 Nov	101½	6.75	6.74	8.37
dm 30	Rural Industries Bank	6½	'87 Aug	99	6.90	7.11	6.57

AUSTRIA

Amt	Security	%	Mat	Middle Price	Yield Mat	Yield Ave Life	Yield Curr
dm 150	Austria	6¾	'85 Apr	100	6.60	6.60	6.75
dm 100	Austria	7¾	'86 May	100½	7.32	7.22	7.71
dm 100	Austria	8½	'87 May	102	7.53	7.85	8.33
dm 100	Austria	7½	'89 Jul	103	6.83		7.40
dm 150	Austria	5⅝	'90 Nov	95¾	6.64	7.04	6.01
dm 100	Austria	8⅜	'92 Jun	105½	7.38		7.94
dm 150	Austria	8¼	'92 Oct	104¼	7.51	7.25	7.91
dm 100	Austria	8	'93 Jul	104½	7.27		7.66
dm 200	Austria	7⅝	'94 Mar	101	7.46		7.55
dm 750	Austrian Central Bank	11	'86 Oct	106	7.36		10.38
dm 150	Austrian Central Bank	9¾	'86 Dec	105	7.03		9.29
dm 150	Austrian Central Bank	8	'87 Feb	102	6.96		7.84
dm 150	Austrian Central Bank	9	'87 May	103	7.52		8.74
dm 150	Austrian Central Bank	8½	'88 Nov	104½	7.14		8.13
dm 100	Austrian Central Bank	6½	'88 Dec	98½	6.93		6.60
dm 100	Austrian Central Bank	8⅞	'89 Sep	104¼	7.76		8.51
dm 100	Austrian Central Bank	7⅜	'89 Oct	101¼	7.05		7.28
dm 150	Austrian Central Bank	7⅝	'91 Feb	102¼	7.26		7.49
dm 150	Austrian Central Bank	10⅛	'91 Nov	108	8.54		7.38
dm 150	Austrian Central Bank	9¼	'92 Apr	107	7.94		8.64
dm 150	Austrian Central Bank	8¼	'92 Jul	103¾	7.57		7.95
dm 55	Austrian Electricity	7	'87 Feb	100¾	6.60	6.29	6.95
dm 80	Donaukraftwerke Ag	6¾	'88 Mar	99½	6.91	7.83	6.78
dm 100	Donaukraftwerke Ag	8	'94 Jul	103¾	7.43		7.71
dm 100	Draukraftwerke Ag	8¾	'85 Mar	100	8.47	8.47	8.75
dm 100	Genossen Zentralbank	6	'87 Dec	97¾	6.85	7.80	6.14
dm 50	Giroz Bank Sparkassen	8½	'87 Jun	102½	7.70		8.46
dm 80	Giroz Bank Sparkassen	10¾	'91 Jul	113¼	8.06		9.49
dm 50	Kelag Kaerntner Elekt	6¾	'88 May	99¼	6.99	7.17	6.80
dm 50	Pyhrn Autobahn	6½	'89 Sep	97½	6.87	7.27	6.41
dm 70	Tauernautobahn Ag	5½	'93 Apr	92¾	6.65	7.43	5.93
dm 50	Tauernautobahn Ag	9⅝	'94 Mar	114	7.69		8.66
dm 100	Vienna City	9⅜	'92 Aug	107	8.10	7.78	8.76

Amt	Security	%	Mat	Middle Price	Yield Mat	Yield Ave Life	Yield Curr
dm 100	Voest-Alpine	8½	'85 Jun	101¼	5.80	5.77	8.40
dm 100	Voest-Alpine	8½	'88 Oct	103½	7.41	6.90	8.21
dm 100	Voest-Alpine	6¾	'89 Jun	99	7.00	7.17	6.82

BELGIUM

Amt	Security	%	Mat	Middle Price	Yield Mat	Yield Ave Life	Yield Curr
dm 100	Belgelectric Finance	10½	'89 Jan	109	8.01		9.63
dm 100	Belgelectric Finance	11	'91 Oct	115	8.05		9.57

CANADA

Amt	Security	%	Mat	Middle Price	Yield Mat	Yield Ave Life	Yield Curr
dm 200	Canada	8½	'89 Apr	106	6.86		8.02
dm 100	Air Canada	9	'92 Aug	108	7.58		8.33
dm 100	Air Canada	7¾	'93 Jun	101¾	7.08		7.25
dm 100	Amca Intl	8¼	'91 Dec	102¼	7.82		8.07
dm 100	Brascan Intl	8½	'88 Oct	100¾	8.25	8.72	8.44
dm 100	Canadian Imperial Bk	7	'88 May	100¼	6.90		6.98
dm 100	Export Develop Corp	6⅞	'90 Oct	98¾	7.14		6.96
dm 100	Manitoba Hydro-Electr	6¾	'87 Jun	100½	6.50	6.39	6.72
dm 200	Manitoba Province	7¾	'93 May	102¼	7.80		7.21
dm 200	Manitoba Province	7⅝	'94 Oct	101½	7.40		7.51
dm 100	Montreal City	8½	'86 Jul	100¾	7.92	7.89	8.44
dm 150	Montreal City	7	'87 Jul	100¼	6.66	6.63	6.95
dm 100	Montreal City	7	'89 Apr	100	6.99	6.97	7.00
dm 100	Montreal City	6	'92 Sep	96¼	6.63	7.04	6.23
dm 100	Montreal City	6¾	'93 Jun	98¾	6.94	7.06	6.84
dm 80	New Brunswick Provinc	6¾	'87 Nov	100	6.74	6.74	6.75
dm 80	Newfoundland Province	8	'86 Aug	101½	6.98	6.59	7.88
dm 100	Newfoundland Province	6¾	'87 Nov	101½	6.17	5.89	6.65
dm 100	Newfoundland Province	6½	'88 Apr	99½	6.66	6.78	6.53
dm 100	Nova Scotia Power	7	'87 Dec	100	7.00	6.97	7.00
dm 100	Nova Scotia Province	7¾	'88 Dec	101	7.20	6.68	7.67
dm 100	Ontario Hydro-Electr	7½	'86 Dec	101	6.95	6.64	7.43
dm 100	Ontario Hydro-Electr	6½	'87 Jun	101	6.04	5.75	6.44
dm 100	Ontario Hydro-Electr	6½	'88 Mar	100	6.49	6.48	6.50
dm 100	Ontario Province	6	'87 Sep	99¾	6.09	6.13	6.02
dm 100	Quebec Hydro	7½	'89 May	103½	6.55		7.25
dm 150	Quebec Hydro	10¼	'91 Dec	112¼	7.91		9.13
dm 200	Quebec Hydro	8	'93 Feb	104¼	7.29		7.67
dm 100	Quebec Hydro	7¾	'94 May	103	7.29		7.52
dm 100	Quebec Hydro-Electric	8	'86 Sep	102	6.72	6.25	7.84
dm 100	Quebec Hydro-Electric	6½	'87 Apr	100	6.48	6.46	6.50
dm 200	Quebec Hydro-Electric	6½	'87 Aug	100½	6.28		6.47
dm 150	Quebec Hydro-Electric	6¾	'87 Dec	99	6.63		6.71
dm 100	Quebec Hydro-Electric	6½	'88 Mar	100¼	6.40	6.32	6.48
dm 150	Quebec Province	7½	'87 Feb	101½	6.72		7.39
dm 150	Quebec Province	7¼	'87 Jun	101	6.78		7.18
dm 100	Quebec Province	6½	'87 Jul	100	6.48	6.47	6.50
dm 150	Quebec Province	6	'90 May	97	6.67	7.17	6.19
dm 200	Quebec Province	7½	'91 Apr	102¾	6.94		7.30
dm 150	Quebec Province	10¾	'91 Sep	114½	7.89		9.39
dm 150	Quebec Province	10¾	'92 Feb	112¼	7.82		9.02
dm 100	Royal Bank Of Canada	7¾	'90 Aug	103	7.08		7.52

DENMARK

Amt	Security	%	Mat	Middle Price	Yield Mat	Yield Ave Life	Yield Curr
dm 100	Denmark	5¾	'85 Feb	100	5.61		5.75
dm 100	Denmark	7⅞	'86 Feb	101	6.92		7.80
dm 100	Denmark	7¼	'87 May	100½	6.99		7.21
dm 100	Denmark	6¾	'87 Dec	99½	6.94	7.84	6.78
dm 100	Denmark	6	'88 Feb	96¾	7.17		6.20
dm 100	Denmark	10	'88 Mar	109	6.80		9.17
dm 100	Denmark	7¾	'88 May	102¼	6.97		7.58
dm 100	Denmark	6½	'89 Feb	97½	7.21		6.67
dm 100	Denmark	9¼	'89 Mar	103	8.36	7.81	8.98
dm 150	Denmark	7⅝	'89 Apr	102	7.06		7.48
dm 150	Denmark	7⅜	'89 Nov	101¼	7.06		7.28
dm 100	Denmark	9½	'90 May	105	8.30		9.05
dm 100	Denmark	8¼	'92 Feb	102¾	7.72		8.03
dm 100	Denmark	10¾	'92 Mar	118½	8.14		9.16
dm 100	Denmark	8	'93 May	103½	7.42		7.73
dm 150	Denmark	7¾	'94 Apr	100¾	7.75		7.82
dm 150	Denmark	7¾	'94 Nov	100¾	7.64		7.69
dm 75	Copenhagen City	5¾	'84 Dec	100	5.59	5.59	5.75
dm 100	Copenhagen City	7¾	'86 Apr	99¾	7.90	8.02	7.77
dm 75	Copenhagen City	7½	'86 Dec	101	6.95	6.54	7.43
dkr 225	Copenhagen City	6¾	'87 Sep	97½	7.27	7.70	6.41
dm 75	Copenhagen City	6	'90 Nov	95¼	6.90	7.37	6.27
dm 100	Copenhagen City	8½	'94 Jan	103½	7.94	7.85	8.21
dm 40	Copenhagen Telephone	7½	'87 Jan	102¼	6.31	5.53	7.32
dm 75	Copenhagen Telephone	7	'87 May	100¼	6.86	6.79	6.98

FINLAND

FRANCE

ICELAND

IRELAND

ITALY

JAPAN

LUXEMBOURG

MEXICO

MISCELLANEOUS

NETHERLANDS

NEW ZEALAND

NORWAY

PHILIPPINES

SOUTH AFRICA

SOUTH AMERICA

SPAIN

SUPRANATIONAL

SWEDEN

SWITZERLAND

UNITED KINGDOM

UNITED STATES AMERICA

Chicago Exchange Options

For the Week Ending Nov. 30, 1984

Option & price		Calls Dec	Calls Mar	Puts Dec	Puts Mar
[illegible]					

Mutual Funds

Closing Prices Nov. 30, 1984

NEW YORK (AP)— The following quotations, supplied by the National Association of Securities Dealers, Inc., are the prices at which these securities could have been sold (Net Asset Value) or bought (value plus sales charge) Friday.

[illegible]

CONVERTIBLE BONDS

Amt	Security	% Mat.	Mid. Price	Conv. Period	Conv. Price/sh	Conv. Prem. %
	EUROPE					
[illegible]						
	JAPAN					
[illegible]						
	MISCELLANEOUS					
[illegible]						
	UNITED STATES AMERICA					
[illegible]						

HIGHEST CURRENT YIELDS

On convertibles having a conversion premium of less than 10%.

[illegible]

Explanation of Symbols

[illegible]

New Eurobond Issues

Issuer	Amount (millions)	Mat.	Coup. %	Price	Yield at offer	Price end week	Terms
FLOATING RATE NOTES							
Korea First Bank	$20	1989	¼	100	—	—	Over 6-month Libor. Redeemable at par in 1987. Floating rate certificates of deposit in denominations of $500,000.
Sweden	$700	2005	libid	99.31	—	99.23	Interest pegged to 6-month rate for Eurodollars. Minimum coupon 5¼%. Callable at par after 1985 and redeemable at par in 1989, 1994 and 1999. Sold by tender. Denominations $10,000.
All Nippon Airways	£50	1991	⅛	100	—	100	Over 3-month Libor. Callable at par in 1989. Fees 0.25%.
Korea Exchange Bank	£100	1994	¼	100	—	98.68	Over 3-month Libor. Minimum coupon 5¼%. Callable at par in 1989 and redeemable at par in 1989 and 1991. Convertible on any interest payment date during the first year into a dollar bond paying ¼ over 6-month Libor. Exchange rate set at $1.20 per pound. Fees 1⅜%. Increased from £75 million.
Heron Int'l Finance	ECU 40	1991	⅜	100	—	98.75	Over 6-month Libor. Minimum coupon 6%. Callable at par in 1987. Fees 1⅜%. Each 10,000-ecu note with five 3-yr warrants, each exercisable at par into a 1,000-ecu note of company's 11% bonds of 1992, extendible to 1997 with new terms.
FIXED-COUPON							
Amca Int'l	$50	1999	12¼	99¾	12.32	98.13	Callable and redeemable at par in 1989 when new terms may be set.
American Brands	$100	1987	11	100	11	98.75	Noncallable.
American Brands	0.10	1987	—	$12	—	$15	Each warrant is exercisable at par into a $1,000 note of company's noncallable 11¼s of 1989.
Centrust Savings & Loans	$1,200	2010	zero	5.995	11.91	5.75	Noncallable. Backed by U.S. Government securities. Proceeds $72 million. Payable Feb. 1. Denominations $100,000.
European Community	$100	1990	11⅛	100	11⅛	98.25	Noncallable. Payable Feb. 1.
Household Finance	$100	1992	11⅝	99⅝	11.71	97.25	Noncallable. Payable Jan. 15.
Kellogg	$100	1990	10⅞	99⅞	10.91	98.63	First callable at par in 1989. Payable Jan. 15.
Kellogg	$100	1992	11¼	99⅞	11.28	99.03	First callable at par in 1990. Payable Jan. 15.
Queensland Government Development Authority	$100	1989	11⅜	100	11⅜	99.00	Noncallable.
Sanwa Int'l Finance	$150	1992	11⅞	100	11⅞	98.63	Sinking fund to produce a 6-yr average life. Payable Jan. 16.
East Asiatic	DM 100	1991	7¾	100	7¾	98.50	First callable at 101 in 1989.
South Africa	DM 250	1992	7¾	100	7¾	98.50	Noncallable.
Union Electrica Fenosa	DM 100	1992	7⅞	100	7⅞	98.50	Noncallable.
World Bank	£50	1989	10⅝	99⅝	10.70	98.38	Noncallable.
World Bank	£50	1994	11	99⅝	11.04	98.38	Noncallable.
Crédit National	ECU 50	1994	10⅝	100	10⅝	99.75	Noncallable.
Allied Corp.	Y10,000	1991	6⅝	100	6⅝	98.75	First callable at 100½ in 1989.
Pacific Gas & Electric	Y20,000	1995	7	100	7	98.63	
Sears Roebuck	Y12,500	1991	6⅝	100	6⅝	99.63	Noncallable.
Swedish Export Credit	Y12,000	1991	6¾	99⅝	6.82	98.25	Sinking fund to start in 1987 to produce a 5.33-yr average life.
LTCB Finance	C$75	1990	11⅝	100¼	11.68	98	Noncallable. Payable Jan. 10.
LTCB Finance	0.05	1990	—	$22½	—	—	Each warrant is exercisable at par into a $1,000 note of company's noncallable 11⅝s of 1992.
New Brunswick	C$75	1995	12	100⅛	11.91	97.25	Noncallable. Payable Jan. 24.
James Hardie Industries	Aus$30	1989	13	100	13	98.63	Noncallable.
Dunlop Olympic	NZ$25	1990	15⅝	100	15⅝	98.50	Noncallable. Payable Jan. 15.
EQUITY-LINKED							
NEC	$150	2000	open	100	—	99.88	Semiannual coupon indicated at 3⅛%. First callable at 104 in 1988. Convertible at an anticipated 5% premium. Terms to be set Dec. 3.
Sumitomo Realty & Development	$40	1989	8	100	8	101	Noncallable. Convertible into company's shares at 563 yen a share, no premium. Exchange rate set at 246.85 yen per dollar.
Tsugami	$20	2000	3¼	100	3¼	98.75	Semiannually. First callable at 104 in 1987. Convertible into company's shares at 771 yen a share, a 2.937% premium. Exchange rate set at 246.85 yen per dollar.
Yamaichi	$20	1995	3¼	100	3¼	99.75	First callable at 103½ in 1987. Convertible into company's shares at 560 yen a share, a 1.82% premium. Exchange rate set at 247.35 yen per dollar.
Yamaichi	$20	2000	3¼	100	3¼	99.75	First callable at 104 in 1995. Convertible into company's shares at 560 yen a share, a 1.82% premium. Exchange rate set at 247.35 yen per dollar.
Fuji Electric	DM 120	1990	open	100	—	100.50	Coupon indicated at 3⅜%. Noncallable. Each 5,000-mark bond with one warrant exercisable into an equal amount of company's shares at an anticipated 2⅛% premium. Terms to be set Dec. 5.
Linde Int'l	DM 150	1994	3¾	100	3¾	106.50	Each 1,000-mark bond with 10 warrants exercisable into 3 company's shares at 362 marks each, a 1.8% premium.
UBS Finance	DM 200	1991	3	100	3	99	Noncallable. Each 5,000-mark bond with one 5-yr warrant exercisable into 1 company's share at 3,650 francs, a 4.3% premium.

Growth in M-1 Causes A Slight Drop in Prices

By James Sterngold
New York Times Service

NEW YORK — Continuing negative reaction to the unexpectedly sharp increase in the U.S. money supply has forced interest rates slightly upward and bond prices a bit lower.

The $6.7-billion jump announced Thursday in M-1, a measure of money-supply growth

U.S. CREDIT MARKETS

which includes currency in circulation, travelers checks and checking deposits at financial institutions, indicated that the money stock would show substantial growth in November, reversing a decline in October.

That, in turn, suggested to investors that the Federal Reserve could halt its recent efforts to lower interest rates, analysts said.

"People were still digesting the money numbers; I think there is a lot less optimism about the Fed easing further now," said Timothy Howard, senior vice president and chief economist for the Federal National Mortgage Association.

Several economists said that the two-day decline hit the longer-term bonds in particular because investors had bid them higher in anticipation that the Fed might force interest rates still lower. Now the bonds adjusted to the new expectations, the economists said.

Also hurting the market was a slight rise in the closely-watched rate on Fed funds, reserves that banks lend one another. The Fed funds rate rose as high as 9 3/16 percent for an average rate of 9 percent on Friday, up from an 8.63-percent average on Thursday.

Bond prices fluctuated within a narrow range Friday. At the longer end, the Treasury's 30-year, 11.75 percent bonds fell 12/32 point on the day to 101 25/32 offered, for a yield of 11.53 percent, up from 11.47 percent the previous day.

On the short end, three-month and six-month Treasury bills were little changed.

Mr. Howard said the market appeared to be leveling off after gains that followed the Federal Reserve's half-point reduction in its discount rate on Nov. 21.

He predicted that the market "is close to settling into a range," without a great deal of movement likely either up or down. "Don't expect bonds or Fed funds to move a lot for a while," Mr. Howard said.

Jeffrey R. Leeds, a managing director of Chemical Capital Markets Group, said Friday: "The Fed is probably finished at this point. Insofar as the market had anticipated further easing and built that into prices, it gave up some of that yesterday and today."

He added, though, that the increase in the money supply was a welcome sign, suggesting that the economy may show some new life later on.

U.S. Consumer Rates
For Week Ended Nov. 30

Passbook Savings	5.50 %
Tax Exempt Bonds Bond Buyer 20-Bond Index	10.04 %
Money Market Funds Donoghue's 7-Day Average	9.09 %
Bank Money Market Accounts Bank Rate Monitor Index	9.14 %
Home Mortgage FHLB average	14.72 %

Price of Swedish Notes Shocks Loans Experts

(Continued from Page 17)

addition, it's believed that a uniform price from all sellers would facilitate the marketing effort.

Thus, Merrill Lynch is proposing a new technique — what it calls the "issuer-set margin" (ISM) — in its operation to raise $50 million for India's Bank of Baroda. The issuer, in consultation with the underwriters, will set a price on the notes. Senior underwriters have the right, but no obligation, to take their share of the notes. Merrill Lynch will place the notes of the junior underwriters or the unwanted notes of the senior underwriters.

Merrill says ISM provides a simpler, more equitable placing method than existing systems. If the rate on the notes is set too low, senior underwriters can refuse to take them and Merrill may or may not be able to place them. If there is no placement, allocation is made at the maximum rate which in Baroda's seven-year facility is to be set at about 20 basis points over Libor.

Australia's Wheat Board is arranging a $500-million, two-year note facility. It would issue one-to-six-month notes (or paper longer than six-months which would not be underwritten, but marketed by banks on a best-efforts basis) with interest set at a maximum ⅛-point over Libor. It will pay an underwriting fee of 10 basis points on the drawn amounts or a minimum of 5 basis points if no drawings are made.

At the same time, the Wheat Board is expanding to $450 million its one-year evergreen, or renewable line of bankers' acceptances. This started out as a $100-million facility in 1983 and was increased to $250 million earlier this year.

In the classic syndicated loan market, Algeria's Banque Nationale d'Algérie and Crédit Populaire d'Algérie are seeking a $500-million, eight-year loan. Interest is to be set at ½-point over Libor for the first five years, falling to ⅜-point for the final three years. Repayment of the loans begins after five years, so the lower margin will apply to a smaller amount.

IRI, the Italian state holding company, is seeking a 10-year loan of 300 million European Currency Units at terms that many bankers say they find unacceptably low. Interest is to be set at ¼-point over the interbank offered rate for the first two years and ⅜-point over thereafter. The management fee totals ⅜ percent and a commitment fee of 15 basis points will be paid on undrawn amounts.

Turkey is sounding out the market for a $500-million, seven-year loan with interest set at 1⅜-point over Libor. Banks would be asked to submit competitive bids for short-term advances and if these bids were fully used underwriters would earn an annual ⅜ percent facility fee. However, many bankers say they see no reason why they should bid against themselves for short-term loans to a borrower of Turkey's credit standing.

Market Cools On Gimmicks

(Continued from Page 17)

pearance of Queensland Government Development Authority, which is raising $100 million for five-year bonds at 11⅜ percent. This is the first Eurodollar bond offering from an Australian state, and bankers predict that the other states will become major borrowers along the line of the Canadian provinces.

Noteworthy in the warrant market is that two issues on offer — American Brands in U.S. dollars and Long Term Credit Bank in Canadian dollars — are using the more popular, older formula of non-callable "front" bonds.

American Brands' $100 million of three-year, noncallable notes bear a coupon of 11 percent. The warrants, which also run for three years, can buy noncallable 11¼-percent notes maturing in 1989. The warrants were offered at $12 each and ended the week at $15.

LTCB offered 75 million dollars of five-year noncallable notes bearing a coupon of 11⅝ and priced at a premium of 100¼, reducing the yield to 11.68 percent. Its five-year warrants, offered at 22½ dollars, can buy noncallable 11⅝-percent bonds maturing in 1992.

The floating rate market got a jolt last week when the Bank of England began circulating its formal proposals on how banks can include the proceeds of debt issues into their capital.

The timing was sooner than expected and the proposals tougher — the debt must be noncallable and convertible into equity if the bank runs into difficulties.

Coming on top of its warning in May that banks holding subordinated bank-issued FRNs must deduct these from their own capital base, the Bank of England moves are seen as severely restricting the market for bank-issued FRNs.

The view in the marketplace is that U.S. and Japanese bank regulators will not be far behind in applying similar restrictions on the issuance and holding of such paper. As a result, bankers expect that the FRN market will now be dominated by sovereign borrowers looking for cheaper finance than direct bank loans.

Tokyo Average Sets Record

Reuters

TOKYO — The Tokyo Stock Exchange average on Saturday rose 8.80 to close at a record 11,437.70.

BT Sale Boosts Kleinwort's Image

(Continued from Page 17)

terms, but uninspiring in comparison to the capital base of the large U.S. investment banks with which Kleinwort is increasingly competing.

At home, Kleinwort agreed to acquire Grieveson Grant, one of London's largest stockbrokers, last June. "We need to be able to service everyone from corporate issuers at one end of a stock issue to the investors at the other," said Mr. Jacomb, explaining Kleinwort's strategic thinking in acquiring Grieveson. "The borderline between banking and securities is blurring."

So is the significance for investors of national borders. Both trends are fueling Kleinwort's overseas expansion. Last spring, the merchant bank acquired Chicago-based ACLI Government Securities from Donaldson, Lufkin & Jenrette, making it the first foreign owner of one of the 37 primary dealers in United States government bonds.

ACLI's name was changed to Kleinwort Benson Government Securities Inc. and added to a New York-based stable of securities, banking, and bullion-trading subsidiaries. The U.S. ventures involve activities Asia, Europe, Latin America and the offshore British territories of the Channel Islands and Isle of Man.

This increasingly diverse empire is managed by 43 executive directors, four of whom are based overseas. They report to two vice chairmen, the Earl of Limerick and Mr. Jacomb, or Michael Hawkes, who succeeded R. A. Henderson as chairman and chief executive officer last year.

Prior to BT, Kleinwort advised on the sales of British Aerospace PLC, Cable & Wireless PLC, Associated British Ports PLC, and Enterprise Oil PLC. But unlike these other sales, the sale of BT was accompanied by an unprecedented $10-million advertising campaign to attract small investors.

Such exposure has made Kleinwort the most widely known merchant bank in Britain.

Treasury Bills

Due	Bid	Ask	Yld
12- 6	7.14	7.08	7.10
12-13	6.79	6.69	6.79
12-20	8.45	8.41	8.56
12-27	7.38	7.30	7.44
1-3-1985	7.38	7.26	7.41
1-10	7.73	7.67	7.84
1-17	8.33	8.27	8.47
1-24	8.25	8.21	8.42
1-31	8.23	8.17	8.39
2- 7	8.38	8.34	8.59
2-14	8.41	8.35	8.61
2-21	8.50	8.44	8.72
2-28	8.44	8.42	8.71
3- 7	8.48	8.42	8.73
3-14	8.47	8.41	8.73
3-21	8.41	8.35	8.68
3-28	8.37	8.31	8.65
4- 4	8.43	8.37	8.73
4-11	8.49	8.45	8.83
4-18	8.58	8.52	8.92
4-25	8.61	8.55	8.97
5- 2	8.67	8.61	9.05
5- 9	8.68	8.62	9.08
5-16	8.69	8.63	9.11
5-23	8.69	8.63	9.12
5-30	8.67	8.65	9.14
6-13	8.67	8.63	9.15
7-11	8.73	8.69	9.22
8- 8	8.83	8.79	9.37
9-05	8.84	8.82	9.44
10- 3	8.90	8.86	9.53
10-31	8.93	8.89	9.61
11-29	8.93	8.91	9.69

Source: Federal Reserve Bank

Gold Options (prices in $/oz.)

Prices	Feb.	May	Aug.
320	19.00-20.50	— —	— —
330	12.00-13.50	20.50-22.00	28.50-30.00
340	7.00- 8.50	15.75-17.25	22.50-24.00
350	4.00- 5.50	11.50-13.00	17.00-18.50
360	2.25- 3.50	8.00- 9.50	13.25-14.75
370	1.50- 2.50	5.50- 7.00	10.00-11.50
380	— —	3.00- 4.50	7.50- 9.00

Gold 328.60 - 329.10

Over-the-Counter

[illegible]

J	Div	Yld	Sales in 100s	High	Low	Last	Net Ch'ge
JLG			162	4¼	4⅛	4¼	
JMB s	1.64	8.6	66	19	18⅞	19	+ ½
JP Ind			575	11½	11¼	11½	
Jacbsn s	.40	2.5	164	15⅞	14¾	15⅞	+ 1
JeffrGp			141	13⅝	13⅜	13⅝	
JeffBcp		t	171	14½	14¼	14½	
JeffBsh	1.52	5.4	78	28	27½	28	+ ½
JeffNL s	.44	2.2	672	20⅛	20	20⅛	— ⅛
JetSmrt	.40a	2.1	278	19¼	19⅛	19¼	
JemRec			190	3½	3⅛	3⅛	— ⅛
JetA un			3	4¼	4⅛	4⅛	— ⅛
JhnsnE			154	6¼	5⅞	5⅞	— ⅛
JoneV s			90	3	2⅞	2⅞	— ⅛
Jonel un		t	62	3⅜	3⅛	3⅜	+ ⅛
Joslyn	1.28	4.9	257	26¼	26⅛	26¼	
Judys	.12	2.5	49	4⅞	4⅝	4⅞	

K	Div	Yld	Sales in 100s	High	Low	Last	Net Ch'ge
KMW Sy			55	10¼	9	9¼	— 1⅛
KTRON			84	3	3	3	
Kamnst			188	5⅝	5⅜	5⅝	
KnCtyL	2.60	3.7	15	71	70½	70½	— ½
Kasco			20	6¼	6	6	— ¼
Kavero			1622	3⅝	3⅛	3¼	— ⅛

[illegible]

N (cont.)	Div	Yld	Sales in 100s	High	Low	Last	Net Ch'ge
NWstTl	1.44	6.9	5	21	21	21	
NestBc	2.40	5.0	32	48½	48	48	
NestF un				48½	48½	48½	
NestBn s	1.28a	4.4	19	29	28¾	29	+ ¾
NoAir			68	3½	3⅜	3½	
NthDta			103	9¼	9	9	— ⅛
NoTrust	2.72	4.3	78	63¾	63¼	63¾	
Nthview s			154	15⅝	15⅜	15⅝	
NwNG pf	2.37	9.1	58	26	26	26	
NwTelp	.20e	3.3	10	6	6	6	
Norwa s	.14	2.9	34	4⅞	4⅝	4⅞	
Novar	.01	.2	126	9½	9½	9½	
NovoCp			529	2⅞	2½	2½	— ⅛
Novo un			62	2⅜	2⅜	2⅜	
Nowsc g	.30	2.0	45	15⅝	14⅝	14⅝	— 1
NucMet			163	13	12½	12½	— ½
NuclSpt	.12	1.0	75	12	11¾	12	+ ½

O	Div	Yld	Sales in 100s	High	Low	Last	Net Ch'ge
OKC un	.11e	1.3	35	8⅝	8½	8⅝	
OMI Cp			4103	3⅛	2⅞	2⅞	— ⅜
Oce-van			306	15⅞	15⅝	15⅝	— ⅛
OcaltB g			4	3½	3⅜	3⅜	— ⅜
OffLog pf	1.56t		213	5½	4	4⅛	— 1⅜
OffLog pf	1.22t		665	5⅛	5	5	— ⅛
Ogiboy	2.16	7.9	31	27¾	27½	27½	
OhioBc	2.52	5.2	13	48½	48	48½	+ ½

[illegible]

W (cont.)	Div	Yld	Sales in 100s	High	Low	Last	Net Ch'ge
WisSGs	1.44	4.6	21	31	30¾	31	+ ¾
Wolohn	.16	3.2	176	5⅛	5	5	— ⅛
WolvT s	.20	2.1	102	9⅝	9⅛	9⅝	+ ½
WrightW	.38	4.1	152	9¼	9⅛	9¼	+ ⅛
Wyse			718	7⅛	7	7	— ⅛

X	Div	Yld	Sales in 100s	High	Low	Last	Net Ch'ge
XidMos			231	13½	12¾	13	— ⅛
YBear g	.12	-	26	7⅝	7⅜	7⅜	
YorkFd	.10e	.9	78	11	11	11	
ZenNtl	.68	6.0	266	11½	11¼	11¼	
Zycad			5011	10¼	8⅛	8½	— 2¼
Zygo			34	8	7¾	7¾	— ¼

Consolidated Trading Of AMEX Listing

Week ended Nov. 30

	Sales	High	Low	Last	Ch'ge
BAT	3,133,300				+⅜
TIE	1,459,300	6⅛	5⅞	6	-⅜
DomeP	1,228,700	2	1¾		
ImpGp	1,005,100		2		
PrenH	937,500	70⅛	70¾	70⅞	-⅛
Helzar	786,400	8¼	7⅝	8	-⅜
WangB	753,400	27⅞	26⅛	26¾	-1⅛
PetLw	616,900	4	3½	4	+⅛
Ultmte	514,800	15⅛	12⅝	14½	-⅞
IntBknt	433,100	4⅛	3⅞	4	-⅛

Volume: 34,120,000 shares
Year to Date: 1,399,930,000 shares
Issues traded in: 902
Advances: 261 ; declines: 499
Unchanged: 142
New Highs: 25 ; new lows: 118

Consolidated Trading Of NYSE Listing

Week ended Nov. 30

	Sales	High	Low	Last	Ch'ge
AvcoCp	6,138,000	47	39½	47	+6⅜
IntHarv	5,790,200	8⅝	7⅛	7⅝	-⅞
IBM	5,146,700	25⅛	20¾	21¾	-⅞
PhilPet	3,791,700	44⅛	40¼	43¾	+1⅞
GenEl	3,727,800	57⅞	55	55⅜	-1½
DowCh	3,718,800	29⅝	28½	28⅞	-⅜
AT&T	3,700,600	18⅞	18½	18¾	-⅛
Schlmb	3,462,200	40½	37⅜	38½	-3⅛
Mobil	3,419,600	30	28¼	28⅞	-⅜
Exxon	3,390,400	43⅞	42¼	43⅛	-⅜
EsKod	3,066,100	75⅛	70⅞	70⅞	-3⅜
Unocal	3,027,300	41¾	38⅝	38⅞	-3⅛
ITT Co	2,964,200	27¼	26¼	26¾	-¼
AMR	2,938,100	34¼	32⅛	32½	-1
Chryslr	2,771,100	28⅞	26½	27½	-⅞
MerLyn	2,753,200	29¼	27⅛	27⅜	-1⅞
TxOas	2,736,400	19¼	17⅞	18¼	-1
CSX	2,714,700	23¼	21⅞	22⅛	-⅜
OhioEd	2,487,700	14⅛	13⅝	13⅝	
Datpnt	2,467,400	17⅜	15⅛	17	+1⅞

Issues Traded in: 2,248
Advances: 789 ; declines: 1,198
unchanged: 261
New highs: 123 ; new lows: 118

Volume

This week	411,730,000 shares
Last week	308,500,000 shares
1983 same week	501,070,000 shares
1984 to date	21,290,382,743 shares
1983 to date	19,845,338,000 shares
1982 to date	15,025,190,000 shares

NASDAQ National Market

THE EUROPEAN COMMUNITY

New Initiative Proposed in Technology

By Sherry Buchanan

International Herald Tribune

BRUSSELS — A new European initiative in biotechnology may be on its way.

The European Community's Commission and European industry are concerned that Europe is losing ground to U.S. and Japanese competitors because of the lack of a concerted effort in research and development in biotechnology.

Because of this, the Commission, in consultation with industry officials, has developed proposals to help promote research and development in biotechnology. The plan is to be discussed by European research and development ministers on Dec. 19.

As part of the proposal, the Commission has asked for a research and training initiative of 88 million European Currency Units ($63.5 million) for specific company-led research projects in biotechnology. Further expenditures would be voted on by the ministers.

If approved, the training and research program could go ahead in January.

Significantly, the outgoing EC commissioner for industry, Etienne Davignon, is putting his political weight behind the commission's proposal. He is meeting a delegation from European industry on Dec. 12 that is expected to include Shell, Unilever and ICI.

"They'll be talking strategy to see what the Commission can do to help," says an EC official.

As in other high-tech initiatives, the Commission can only act as a catalyst.

Cable TV Alerts Firms To Advertising Prospects

THE introduction of cable television and satellite broadcasting has alerted multinationals to the potential for a wider market for television advertising.

But because each country has different rules on what and when one can or cannot advertise on television, a company planning a Europe-wide advertising campaign is likely to run into trouble.

The Belgian government, for instance, can legally jam commercials broadcast on the foreign channels that are available through the cable system. So far, it has not done so.

"If you put all the restrictions together, an advertiser would only have about seven minutes a day to advertise on European-wide television," says an industry spokesman.

The Commission is holding public hearings on Dec. 12 and 13 on the problem of cable and satellite broadcasting in the EC. The Commission has voiced support for the free flow of advertising across borders, but a Commission study does not challenge government rights to tighten restrictions on television advertising.

Commission Backs Plan To Ease Currency Curbs

LAST week, the Commission approved a proposal that would speed up the liberalization of foreign exchange controls and make it easier for EC central banks to use the ECU. The proposal must be approved by EC finance ministers.

On Saturday, the Commission is scheduled to submit proposals to the finance ministers that would encourage conversion of the ECU into other European currencies.

EC Official Visits Tokyo; Talks on VTRs Expected

The Associated Press

TOKYO — The European Community's industry commissioner, Etienne Davignon, arrived in Tokyo Saturday to discuss trade issues, including the possible extension of Japan's voluntary restraint on the export of video tape recorders, a Foreign Ministry official said.

Last year, Japan agreed to limit VTR exports to the 10 EC nations in 1984 to 4.55 million units, including half-finished products. During Mr. Davignon's last trip to Tokyo in October, officials of the Ministry of International Trade and Industry said Japan would considerably cut its ceiling for 1985, because of sluggish demand in Europe.

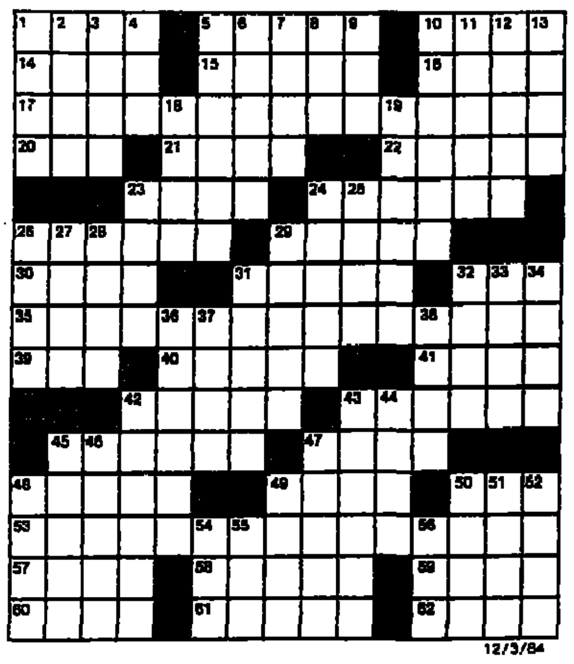
American Exchange Options

For the Week Ending Nov. 30, 1984

Total volume 125,050

Open Interest: 2,199,139

r—Not traded. s—None offered. o—Old.

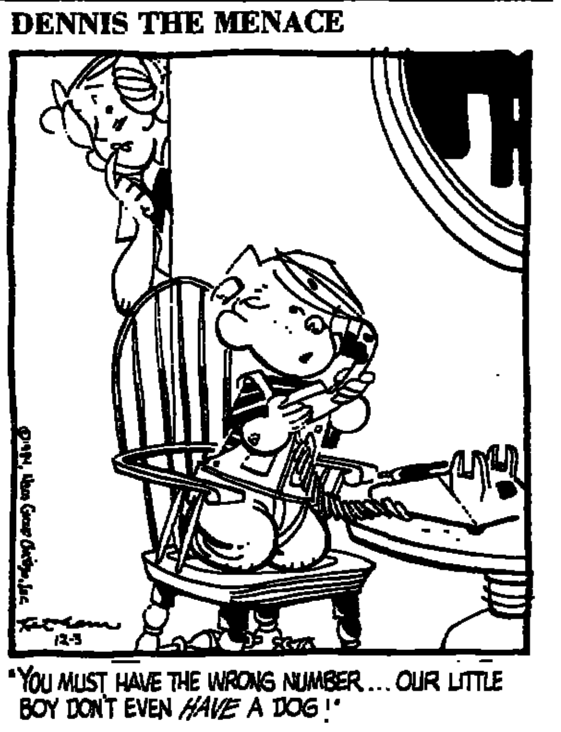


12/3/84

ACROSS
1 Fleshy fruit
5 Hairy item
10 Wine city
14 Top-notch
15 Mrs. Paul McCartney
16 Mahogany tree
17 Marquand book: 1949
20 Like bright pupils
21 Decree
22 Partner of raves
23 Leg covering
24 Sneer at
26 Squire's place
29 Dance of the 16th century
30 Gossip away
31 Like a bucket in a song
32 Wager
35 Speed contest
39 Baseball great
40 Eastern V.I.P.
41 Erupter at least 140 times
42 Strike
43 Land of plenty
45 Finagles
47 Assamese export
48 Fleeced
49 Israeli port
50 Rearward, on a ship
53 Baseball thrill
57 Soon
58 Good-night girl
59 Sage
60 Undraped
61 Peeled
62 Paradise

DOWN
1 Hemingway's nickname
2 Lasso end
3 Army group
4 Fellows
5 Shirtlike garment
6 Garand, e.g.
7 Queen or princess
8 Wedding words
9 Women's org.
10 Reach
11 Free from flaws
12 Bakery item
13 Hotels in the hinterlands
18 Gait for a standardbred
19 Purposeful trip
23 Arm ending
24 Senegalese port
25 Eternally
26 Repeat
27 Close
28 Hue
29 Recipient of a check
31 He wrote "Waiting for Lefty"
32 Saturday-night special
33 Serf
34 Comparative word
36 Order back into custody
37 Give forth
38 Kind of job or set
42 Calm
43 Scoffed; jeered
44 Margarine
45 Dishes
46 Fame
47 Play part
48 Thick slice
49 Declare
50 Asleep, perhaps
51 Run away
52 Sea bird
54 Kind of tide
55 Nest-egg acct.
56 Consume

DENNIS THE MENACE



"YOU MUST HAVE THE WRONG NUMBER ... OUR LITTLE BOY DON'T EVEN *HAVE* A DOG!"

JUMBLE, THAT SCRAMBLED WORD GAME

by Henri Arnold and Bob Lee

Unscramble these four Jumbles, one letter to each square, to form four ordinary words.

CEKOH

GURPE

RANCLE

MUBHEL

Now arrange the circled letters to form the surprise answer, as suggested by the above cartoon.

Print answer here:

(Answers tomorrow)

Friday's | Jumbles: PUPIL EPOCH CORPSE FROLIC
| Answer: They might be UP CLOSE—"COUPLES"

WEATHER

	HIGH C	HIGH F	LOW C	LOW F	
EUROPE					
Algarve	15	59	4	39	o
Amsterdam	6	43	1	34	o
Athens	14	57	10	50	o
Barcelona	26	79	3	38	fr
Belgrade	13	55	3	38	fr
Berlin	9	48	0	32	cl
Brussels	8	46	5	41	o
Bucharest	7	45	2	36	cl
Budapest	5	41	0	32	cl
Copenhagen	6	43	4	39	o
Costa Del Sol	17	63	10	50	fr
Dublin	3	38	-2	28	fr
Edinburgh	5	41	3	38	o
Florence	12	54	14	57	r
Frankfurt	0	32	-4	25	o
Geneva	6	43	4	39	r
Helsinki	0	32	0	32	o
Istanbul	12	54	8	46	fr
Las Palmas	20	68	17	63	o
Lisbon	14	57	9	48	o
London	9	48	7	45	r
Madrid	10	50	4	39	o
Milan	5	41	4	39	o
Moscow	-4	25	-4	25	o
Munich	2	36	-4	25	o
Nice	14	57	10	50	cl
Oslo	3	38	2	36	o
Paris	8	46	6	43	cl
Prague	5	41	1	34	o
Reykjavik	2	36	-4	25	r
Rome	18	64	14	57	o
Stockholm	5	41	4	39	o
Strasbourg	2	36	-1	30	r
Venice	13	55	8	46	r
Vienna	5	41	2	36	o
Warsaw	4	39	-2	28	fr
Zurich	6	43	3	38	o
MIDDLE EAST					
Ankara	6	43	-5	23	fr
Beirut	17	63	11	52	cl
Damascus	—	—	—	—	na
Jerusalem	13	55	6	43	cl
Tel Aviv	19	66	7	45	cl
OCEANIA					
Auckland	22	72	14	57	cl
Sydney	26	79	18	64	fr
ASIA					
Bangkok	25	77	20	68	fr
Beijing	4	39	-2	28	fr
Hong Kong	18	64	17	63	o
Manila	30	86	27	81	cl
New Delhi	22	72	11	52	fr
Seoul	7	45	1	34	fr
Shanghai	14	57	5	41	fr
Singapore	29	84	25	77	o
Taipei	19	66	17	63	o
Tokyo	13	55	12	54	sh
AFRICA					
Algiers	12	54	8	46	r
Cairo	18	64	10	50	fr
Cape Town	24	75	15	59	cl
Casablanca	18	64	12	54	o
Harare	26	79	17	63	fr
Lagos	28	82	25	77	cl
Nairobi	20	68	12	54	fr
Tunis	19	66	10	50	cl
LATIN AMERICA					
Buenos Aires	20	68	17	63	o
Lima	24	75	18	64	cl
Mexico City	22	72	5	41	cl
Rio de Janeiro	28	82	20	68	o
Sao Paulo	—	—	—	—	na
NORTH AMERICA					
Anchorage	-2	28	-6	21	cl
Atlanta	15	59	5	41	r
Boston	6	43	1	34	fr
Chicago	2	36	-2	28	sn
Denver	3	38	-10	14	fr
Detroit	5	41	-2	28	sn
Honolulu	28	84	21	70	fr
Houston	19	66	12	54	pc
Los Angeles	20	68	10	50	fr
Miami	28	82	20	68	pc
Minneapolis	-5	23	-7	19	sn
Montreal	5	41	2	36	cl
Nassau	28	82	18	64	fr
New York	9	48	2	36	fr
San Francisco	15	59	9	48	pc
Seattle	7	45	-2	28	fr
Toronto	4	39	1	34	sn
Washington	13	55	1	34	cl

cl-cloudy; fo-foggy; fr-fair; h-hail; o-overcast; pc-partly cloudy; r-rain; sh-showers; sn-snow; st-stormy.

MONDAY'S FORECAST — CHANNEL: Slight Rough. FRANKFURT: Cloudy. Temp. 3—0 (38—32). LONDON: Cloudy. Temp. 10—8 (50—46). MADRID: Rain. Temp. 8—6 (46—43). NEW YORK: Rain. Temp. 8—4 (46—39). PARIS: Cloudy. Temp. 10—8 (50—46). ROME: Overcast. Temp. 18—14 (64—57). TEL AVIV: Cloudy. Temp. 19—7 (66—45). ZURICH: Cloudy. Temp. 6—3 (43—38). BANGKOK: Foggy. Temp. 31—20 (88—68). HONG KONG: Cloudy. Temp. 19—16 (66—61). MANILA: Cloudy. Temp. 30—23 (86—73). SEOUL: Foggy. Temp. 7—-1 (45—30). SINGAPORE: Stormy. Temp. 30—24 (86—75). TOKYO: Fair. Temp. 16—6 (61—43).

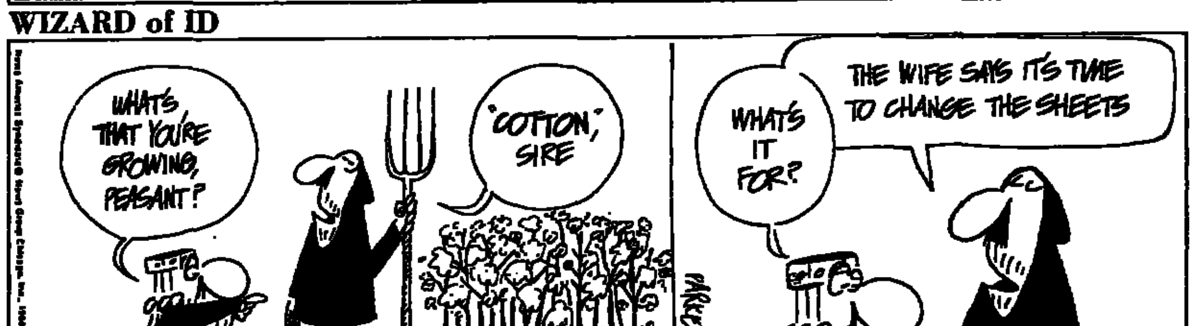
PEANUTS

BLONDIE

BEETLE BAILEY

ANDY CAPP

WIZARD of ID



REX MORGAN

GARFIELD

BOOKS

WITH HEMINGWAY: A Year in Key West and Cuba

By Arnold Samuelson. 183 pp. $16.95. Random House, 201 East 50th Street, New York, N. Y. 10022.

Reviewed by Jonathan Yardley

THIS brief account of a year spent hanging around with Ernest Hemingway is an unexpected literary discovery, one of no particular moment but quite considerable charm. It was discovered among the papers of Arnold Samuelson upon his death in 1981 by his daughter, Diane Darby, who determined that it was more than mere Hemingway marginalia and that it deserved publication. Its value is not that it adds anything of importance to our understanding of Hemingway, but that it allows us to see him through the eyes of someone who knew him before the "Papa" image had been inflated to monstrous proportions.

Samuelson went to visit Hemingway in the spring of 1934. He was 22 years old, a native of a North Dakota hamlet called White Earth. He had completed his studies in journalism at the University of Minnesota but had not graduated because he declined to pay the diploma fee — an act characteristic of the iconoclasm that seems to have been central to his character. His visit to Hemingway was of a piece with that: He had read a story of Hemingway's, had decided that Hemingway could help him fulfill his own desire to be a writer, and promptly rode the rails to Key West in hopes of a fruitful conversation with him.

It turned out to be a lot more than that. Hemingway seems to have taken to the brash but innocent young man at once, or at least as soon as he realized that Samuelson had no ulterior motives in approaching him. Not merely did he chat with him about writing, he offered him a job; for the wage of a dollar a day, not to be sneezed at in those Depression years, Samuelson did various odd jobs around the Hemingway house and then did more of them aboard ship when Hemingway, his wife Pauline, their two sons and various cronies set off for Cuba aboard the writer's spanking-new boat, the Pilar.

Samuelson's real function seems to have been less that of handyman than of admiring companion. In her introduction Darby quotes Hemingway's younger brother, Leicester: "Ernest was never very content with life unless he had a spiritual kid brother nearby. He needed someone he could show off to as well as teach. He needed uncritical admiration. If the kid brother could show a little worshipful awe, that was a distinct aid in the relationship. I made a good kid brother when I was around but I couldn't be around regularly."

But Samuelson was around for a whole year, and he seems to have played the role exactly right. He was admiring but not obsequious, and he brought off the difficult balancing act of being part of the Hemingway family on the one hand, yet servant to it on the other. He was an inept fisherman whom Hemingway could therefore instruct — his journal is crammed, to a point that may drive some readers to seasickness, with fishing expeditions — and an apprentice writer to whom Hemingway could speak avuncularly about his craft. Most of what he had to say falls into the standard and rather pontifical Hemingway mold ("When you're still going good and you come to an interesting place and you know what's going to happen next, that's the time to stop"), but one paragraph stands out:

"Most writers keep on writing about their childhood until they're 40. They spend their youths concealing their love affairs and their old age revealing them. The best stuff you've got is from your farm life in North Dakota and your sister's murder. That's something nobody else can write and nobody can ever take it away from you, but you don't want to use it for a long time. Save your best stuff until you've learned how to handle it, because you can't write the same thing twice unless you rewrite it. Wait until you've learned how to become detached. In order to write tragedy you've got to be absolutely detached, no matter how much it hurts you. Tragedy is the peak of the art and that's the hardest thing there is to do. You never lose a story by not writing it."

That's sound advice, though it doesn't seem to have done Samuelson much good. Apart from selling a handful of magazine pieces, he never made it as a writer. But he did leave this manuscript, a posthumous achievement that is small but noteworthy. The Hemingway whom he gives us is a more attractive man than the "Papa" soon to emerge — affected and self-conscious, needless to say, but also generous and forthcoming. In tribute Samuelson writes: "He left me with that damned marvelous feeling you can have only once in a lifetime if you are a young man who wants to become a writer and you have just met the man you admire as the greatest writer alive and you know instinctively he is already your friend." Too often we lose sight of that side of Hemingway; we thus have Samuelson to thank for reminding us that it was there, and that it brought great pleasure to many people.

Jonathan Yardley is on the staff of The Washington Post.

Solution to Friday's Puzzle

D	A	S	H	■	B	E	L	E	M	■	B	O	O	P
A	C	H	E	■	U	D	I	N	E	■	A	T	L	I
D	I	O	R	■	S	H	O	R	T	S	T	O	P	S
A	D	R	O	I	T	■	N	O	R	T	H	S	E	A
■	■	■	T	I	R	E	D	■	L	I	L	I	■	■
G	R	E	N	A	D	E	S	■	C	O	N	S	O	L
L	I	N	E	N	■	A	T	K	A	■	G	H	E	E
A	L	I	■	I	S	R	A	E	L	S	■	O	S	A
D	E	N	S	■	A	E	R	Y	■	C	U	R	E	S
E	D	G	I	E	R	■	R	E	S	E	T	T	L	E
■	■	B	A	A	S	■	S	O	N	I	C	■	■	■
A	C	C	E	S	S	E	S	■	A	T	L	A	S	T
S	H	O	R	T	O	R	D	E	R	■	I	K	E	S
T	A	L	I	■	T	E	R	R	E	■	T	E	M	A
O	N	E	A	■	A	S	S	A	D	■	Y	S	E	R

BRIDGE

By Alan Truscott

ON the diagramed deal, without the club ace, East would no doubt have taken pre-emptive action. As it was, he did not want to exclude slam possibilities.

North's bid of three diamonds in response to the overcall was an invitation to four spades, and South accepted when East bid four diamonds.

When West now continued to five diamonds, it was very difficult for North to appreciate that it was right to double. He persevered to five spades, a contract that was open to the possibility of three quick club losers.

As it happened, the defenders' clubs were blocked. If West had led the club king, South would have had an easy task. However, he resisted that temptation and led the diamond ten, which was ruffed in dummy.

South could have made his contract by drawing two rounds of trumps, thanks to the even break. If the trumps had been split three-one, he would still have had some chance, but not a good one.

Instead, South attempted to ruff all his diamonds in the dummy, using the heart entries to his hand. He seemed to be in good shape when he had completed this operation and led a heart winner from the dummy.

East's ruff was no great surprise. South overruffed and entered dummy with a trump lead to the queen. He threw a club loser on the remaining heart winner, and now had to play a club.

Unfortunately for South, East won and perforce played a diamond. As South had had to use his spade ace for an earlier overruff, the trump ten in the West hand became a killing card. South ruffed with the seven of spades, was overruffed and lost a second club trick for down one.

In the replay, North raised the overcall directly to game. East bid five diamonds, and South was well-placed to double and collect 800 points, gaining 14 points for his team.

NORTH
♠ Q J 8 3
♡ K Q 8 4
◇ —
♣ 10 8 7 4 2

WEST
♠ 10 4
♡ 9 6 5 3 2
◇ 10 2
♣ K Q 8 5

EAST
♠ 9 2
♡ 10 7
◇ A K J 8 7 6 4 3
♣ A

SOUTH
♠ A K 7 6 5
♡ A J
◇ Q 9 5
♣ J 9 3

Both sides were vulnerable. The bidding:

North	East	South	West
Pass	1 ◇	1 ♠	Pass
3 ◇	4 ◇	4 ♠	5 ◇
5 ♠	Pass	Pass	Pass

West led the diamond ten.

Evert Takes Match No. 1,000

The Associated Press

MELBOURNE — Chris Evert-Lloyd scored the 1,000th singles victory of her tennis career Sunday with a 6-1, 6-7, 6-2 triumph over Pascale Paradis of France to advance to the quarterfinals of the Australian Open tennis championships.

Martina Navratilova, the defending women's champion, defeated Kathy Rinaldi in her third-round match Sunday, 4-6, 6-0, 6-1, and third-seeded Pam Shriver advanced to the last eight by scoring a 6-2, 6-2 victory over Elizabeth Minter of Australia.

On Saturday, the defending men's champion and second seed, Mats Wilander of Sweden, had to fight hard for his 6-3, 2-6, 7-6, 6-1 third-round victory over Dale Houston of Australia. Fourth-seeded Johan Kriek and fifth-seeded Pat Cash of Australia also advanced into the fourth round.

In women's play Saturday, Wendy Turnbull of Australia, Helena Sukova of Czechoslovakia and unseeded Sophie Amiach of France all advanced to the quarterfinals.

Evert, 29, went into Sunday's match with a 999-97 record since making her 1969 debut on the women's tour as an amateur; she turned pro in 1972. Only Billie Jean King, with 1,046 victories, has won more women's matches.

"It's pretty interesting. I feel like I've played that many on some days, and other days it feels like I haven't been around that long," said Evert.

The six-time U.S. Open champion started well against 18-year-old Paradis and took just 26 minutes to win the first set, 6-1, conceding only 17 points.

Paradis fought back, however, and after squandering two set points to even the match at one set each, finally took the tiebreaker by seven points to five.

Evert loosened up in the final set and exploited the weakness of Paradis's backhand. Paradis dropped serve in the first game of the final set and Evert then took control.

In men's play Sunday, Boris Becker of West Germany crushed American Hank Pfister, 7-5, 6-2, 6-2.

Scott Davis also moved through with a 6-4, 6-4, 6-4 triumph over Francisco Gonzalez of Paraguay. Gonzalez never was able to find the form he displayed in defeating sixth seed Vitas Gerulaitis in the second round.

In other matches Sunday, third seed Joakim Nystrom of Sweden defeated American Eddie Edwards, 6-3, 4-6, 7-5, 7-6; and Ben Testerman downed fellow American Matt Mitchell, 6-7, 6-2, 6-3, 4-6, 6-2.

In Saturday's play, American Kriek edged New Zealander Bruce Derlin, 7-6, 7-6, 6-7, 6-4, while Cash won a tight encounter against Jakob Hlasek of Switzerland, 5-7, 6-3, 6-3, 5-7, 7-5. That match lasted 3 hours, 15 minutes.

Cash, fined $2,000 for a racket throwing incident at the U.S. Open earlier this year, bounced his racket angrily into the crowd after the sixth game of the fourth set. He was warned by the umpire for racket abuse.

Stefan Edberg of Sweden blitzed the American veteran Tim Gullikson, 6-1, 6-2, 7-5, in their third-round match.

The fourth-seeded Turnbull, riding a reliable serve, edged Steffi Graf of West Germany, 6-4, 6-4. Sukova, the No. 9 seed, surprised fifth-seeded Claudia Kohde-Kilsch of West Germany, 3-6, 6-3, 6-2, while Amiach trounced Christiane Jolissaint of Switzerland, 6-0, 6-2.

Sukova, who lost her temper early in the match, regained her composure in the latter stages, outplaying Kohde-Kilsch in a battle between two tall, powerful players.

"I was mad about everything and was far too tight," said Sukova. "Sometimes that happens to me and I just have to control it. Once I calmed down and concentrated on my game, I played a lot better."

Girardelli, Pelen First World Cup Victors

United Press International

SESTRIERE, Italy — Marc Girardelli of Luxembourg began the World Cup ski season Sunday where he left off last winter — by dominating a men's slalom.

The Austrian-born racer, who won last season's final two slaloms and breezed to the cup title in his speciality, was more than a second faster than anyone else on both runs in the opening race of the 1984-85 campaign. Girardelli, 21, clocked a winning aggregate of one minute, 46.80 seconds (52.45-54.35), swamping second-place Jonas Nilsson of Sweden (1:49.12).

On Saturday in Courmayeur, Frenchwoman Perrine Pelen won the opening event of the cup season. Skiing through thick fog and steady snow, Pelen, 24, turned in slalom runs of 48.25 and 45.93 for

WORLD CUP SKIING

an aggregate of 1:34.18 to beat West German Maria Epple's 1:34.55. Paoletta Magoni of Italy, who beat Pelen by almost a full second to take the 1984 Olympic gold medal, was third in 1:34.79.

In an event whose victory margins are usually measured in split-seconds, Girardelli benefited by the quick departure of his main slalom rival, Ingemar Stenmark; the Swede missed a gate while adjusting his goggles, which kept fogging up during the first run down the Kandahar course.

Third in a race that sent 68 starters through 65 gates on the morning run and 69 in the afternoon was Italian Paolo de Chiesa in 1:49.33.

Girardelli, who defected to Luxembourg's ski ranks several seasons ago after a dispute with the Austrian federation, has been training on his own for the World Cup season. "I'm not at all surprised," he said Sunday. "I've worked hard to get to this level. Things were a lot easier after Ingemar went out. With him gone, there were really few other rivals."

Between them, Girardelli and Stenmark won eight out of 10 slaloms last year.

The men skied a course covered with 30 centimeters of new snow from an overnight storm that blanketed the northern Italian Alps.

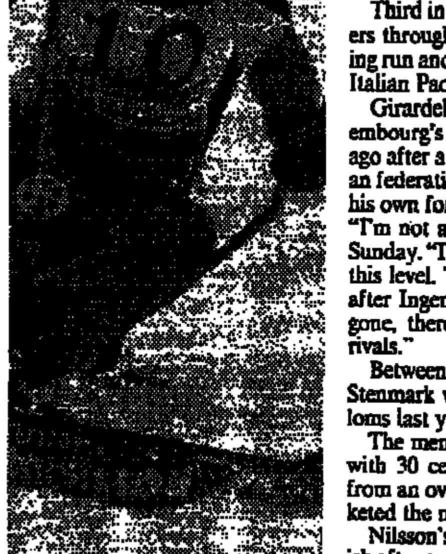
Nilsson's second was his best finish after one year on the cup circuit. De Chiesa, at 28 the oldest man on the Italian team, has still to win a race after 10 seasons of cup competition. Still, he said, "it's great to be on the podium so early in the season."

Pelen's victory was her 15th in eight seasons of cup skiing, and came amid visibility sharply reduced by a rolling fog. "I'm very satisfied with myself," she said. "I must say that the course was well prepared, and that helped a lot."

Magoni ignored her coach's advice to take it easy on the Checrouit course, which dropped 153 meters (492 feet) through 56 gates on both runs. "I made a big mistake," said the 20-year-old Italian. "Everyone said to ski easily, to let the skis run, but I didn't. I threw away a great chance."

American Tamara McKinney, who held the second fastest morning time behind Epple, took fourth after a slow second run. "It was hard to see up there, but not impossible," she said. "Once you get started you can see from gate to gate. It was a bit like Sarajevo."

The men are next scheduled to race slaloms Friday and Saturday at Puy St. Vincent, France. The events were rescheduled when nearby Val d'Isère had to cancel because of scant snow. The women are tentatively set for a downhill Wednesday at Puy St. Vincent, to replace a race at Val d'Isère.



UPI

Perrine Pelen
'I'm very satisfied with myself.'

Celtics Outlast Cavs, 110-104

United Press International

RICHFIELD, Ohio — For the first three quarters Saturday night, the NBA champion Boston Celtics received some pretty rough treatment from the Cleveland Cavaliers.

It was only in the fourth quarter that the Celtics, led by Larry Bird, came back to earn their ninth

NBA FOCUS

straight victory, a 110-104 decision. Bird scored a game-high 34 points and Danny Ainge snapped a 104-104 tie to rally the Celtics.

"We expected to have a tough time against the Cavs," said Boston Coach K. C. Jones, whose team improved to 14-1, the best in the National Basketball Association this year and tied for the best start in the team's history.

The Celtics won 14 of their first 15 games in the 1957-58 season. Boston's only loss this year was at Washington on Nov. 10.

Elsewhere in the NBA, it was Detroit 131, Indiana 109; Portland 115, New York 93; Washington 100, Milwaukee 97; Boston 110, Cleveland 104; Seattle 94, Houston 86; San Antonio 142, Los Angeles Clippers 110; Denver 118, Utah 111; and Phoenix 115, Golden State 103.

On Friday, it was Washington 114, Detroit 106; Houston 116, Atlanta 102; New Jersey 123, Indiana 100; Philadelphia 126, Portland 116; Dallas 108, Seattle 98; Milwaukee 118, New York 100; Utah 116, Denver 97; Chicago 104, Los Angeles Clippers 100; and Los Angeles Lakers 130, Kansas City 121.

Cleveland, hobbled by injuries, fell to 2-14.

With the score 104-104 in the last minute, Ainge was fouled by Johnny Davis and hit two free throws to give Boston a 2-point lead.

Ainge, who had 8 points, then stole a John Bagley pass and drove down court. He missed a layup attempt, but Robert Parish grabbed the rebound and was fouled by Jeff Cook.

The Celtic center dropped in both foul shots with 43 seconds left, to make it 108-104. After Cook fumbled a pass out of bounds, Cedric Maxwell added two free throws for the final points.

SPORTS

The Associated Press

Doug Flutie, embraced by brother Darren, after the Miami game.

Flutie Wins Heisman

By Peter Alfano
New York Times Service

NEW YORK — A rain-soaked desperation pass — 64 yards in the twilight in the Orange Bowl with no time remaining — elevated Doug Flutie from a college football hero to a national celebrity.

The Pass that enabled Boston College to defeat Miami the day after Thanksgiving was the essence of this daring undersize quarterback. Better than word, the play described the qualities that enabled Flutie to win the Heisman Trophy, awarded Saturday night by the Downtown Athletic Club.

There was little suspense when Pete Dawkins, the 1958 Heisman winner from Army, announced Flutie as the 50th Heisman winner. Although Keith Byars of Ohio State and Bernie Kosar of Miami were also flown to New York to create an air of suspense, it had been surmised that this would be a testimonial to Flutie who led Boston College to three bowl game appearances in four years, culminating in a 9-2 record this season and a berth in the Cotton Bowl.

Flutie's margin of victory was as one-sided as expected. He finished with 2,240 points and 678 first-place votes. Byars, the running back from Ohio State, finished second (1,251 points and 87 first-place votes) and Robbie Bosco, the quarterback from Brigham Young, was third (443 and 20). Flutie is the first quarterback since Pat Sullivan of Auburn to win the Heisman. After Sullivan's victory in 1971, running backs won the award 12 consecutive years, among them Mike Rozier of Nebraska last year.

Flutie finished third in 1983. He was a favorite this season because Rozier and the second-place finisher, Brigham Young's quarterback, Steve Young, were seniors last year.

The paradox is that Flutie is not viewed as a favorite but an underdog, a little man achieving in a world of 6-foot-5 quarterbacks and 250-pound defensive linemen. It has been argued that he is too small at 5 feet 9¾ inches (176 centimeters) and 175 pounds (79 kilos) to be successful in the National Football League, a point still being debated despite Flutie's collegiate exploits.

He began his freshman season at Boston College as an unheralded fourth-string quarterback. But Flutie has never played small. He is the first college quarterback to pass for 10,000 yards passing for a career. He finished with 10,579 in four years. He also set a record for total offense with a career mark of 11,317.

This season alone, he completed 233 of 386 passes for 3,454 yards and 27 touchdowns.

But what sets him apart is style more than statistics. When many quarterbacks swagger and try to live up to their role as so-called field generals, Flutie is Merlin at the line of scrimmage, a magician and mischief-maker who appears to go about his business with a wink and a smile.

"He has always been something special even when he was little," said Joan Flutie, Doug's mother. "For instance, Bill, our oldest son, would go on the field and get the job done and you'd say, 'Fine.' But Doug could go into a game and make a mistake and he would look great. It's something I can't explain."

Although mother and father are athletic, Flutie's football ability was not passed down. Mrs. Flutie said her husband, Dick, was not allowed by his father to play football because of the risk of injury. But Dick Flutie felt that the equipment and standards had improved from the leather-helmet days, so he allowed his three sons to play.

"I don't worry about Doug's size," Mrs. Flutie said. "His desire and confidence and agility override that."

Her son's wholesome good looks and engaging manner have endeared him to the fans and news media. Doug has never been a prima donna, Mrs. Flutie said. But the added recognition that followed in the wake of his touchdown pass to Phelan on the last play to beat Miami worries her.

"It's gotten a little too big, too out of control," she said. "Doug has been looking awfully tired to me. He tells me he is fine, though."

Although Flutie is a well-known athlete, "The Pass" introduced him to a nonsports audience as he made appearances on programs such as the "Today" show. "People who went to elementary school with me have called," Mrs. Flutie said. "People who worked for my husband, Dick, 20 years ago have called. The telephone hasn't stopped ringing."

It may be that Doug Flutie has been the least affected by his success. In anticipation of receiving a professional contract, he has sheepishly told his mother that he wants to buy his first car.

"I know it won't be the Volkswagen his father drives," Mrs. Flutie said. "It will stagger me, but I told him he deserved it.

"Doug wants to buy a house, too," she added. "That's fine. Doug has always kept things in perspective. I don't think all this will change him."

Sabres' Bowman Still Waiting

United Press International

MONTREAL — The jinx keeping Coach Scotty Bowman from equaling the National Hockey League's record for victories stretched to seven games Saturday night and added an insult — injuries to three of his Buffalo Sabres.

Chris Nilan scored a fluke goal with less than three minutes left to lift the Montreal Canadiens to a 3-2 triumph. Nilan banked the puck

NHL FOCUS

off Mike Ramsey's skate from behind the net and the deflection bounced past a stunned Tom Barrasso.

The Sabres, with only one road victory this year in 13 attempts, have now gone seven straight games without winning. The next victory will be Bowman's 690th, tying him with the late Dick Irvin Sr. for the NHL record for coaches.

Elsewhere on Saturday it was Philadelphia 3, Pittsburgh 1; Washington 5, Boston 4; Chicago 5, New Jersey 3; Quebec 8, Hartford 6; New York Rangers 4, Toronto 1; Calgary 8, Minnesota 4; St. Louis 10, Detroit 5, and Los Angeles 6, Vancouver 3.

On Friday, it was St. Louis 5, Detroit 3; Edmonton 4, Hartford 2; New York Islanders 5, Winnipeg 2; Buffalo and Montreal, 2-2, and Toronto and the Rangers, 3-3.

Bowman was philosophical. "It's a beck of a way to lose — we should have been able to hold the lead," he said. "I'm not worried about my personal record. I'll be here for the rest of the season. I don't know if the players are thinking about my record, but I don't coach any differently. The players have to learn from a game like this."

The Sabres lost three men. Right wing Mike Foligno suffered a concussion and possibly a broken knuckle in his right hand. Defensemen Phil Housley and Lindy Ruff both had shoulder injuries.

The Sabres trailed, 1-0, until Gilbert Perreault scored at 12:35 of the third period and Craig Ramsay scored 12 seconds later. Buyt rookie Peter Svoboda tied it at 2-2 at 14:05 of the period by banging in a rebound after Barrasso had slid out of the net making a save.

Auburn Is Denied Sugar Bowl; Houston Wins Southwest Title

Compiled by Our Staff From Dispatches

BIRMINGHAM, Alabama — Alabama salvaged its first losing season in 27 years by upsetting cross-state rival Auburn Saturday, sending Louisiana State to the Sugar Bowl on Jan. 1 against Nebraska.

Meanwhile, Houston emerged from a Southwestern Conference scramble to win a berth in the Cotton Bowl.

Auburn, ranked 11th in the nation, fell to Alabama, 17-15, when

COLLEGE FOOTBALL

Robert McGinty missed a field goal with nine seconds left in the game. The loss dropped Auburn to 8-4 and sent the pre-season favorite for the national championship to a Dec. 27 Liberty Bowl confrontation with Arkansas.

Alabama finished the season at 5-6 — its first losing record since 1957's 2-7-1. The Crimson Tide also had its record 25-year string of bowl trips snapped.

LSU will be the host team in the Sugar Bowl since the Southeastern Conference champion, Florida, is ineligible for post-season play.

Unranked Houston (7-4) won its way into a Cotton Bowl meeting with Boston College by defeating Rice. The victory left Houston tied for the Southwestern Conference title with Southern Methodist, both with 6-2 league records. But the Cougars got the Cotton Bowl bid by virtue of a 29-20 victory over SMU this season.

Texas went into the day needing a victory — and a Houston loss — to make the Cotton Bowl, but Texas A&M pounded the Longhorns, who will head for the Dec. 26 Freedom Bowl against Iowa.

Houston 38, Rice 26

In Houston, Raymond Tate rushed for 205 yards and three touchdowns to give the Cougars a tougher-than-expected 38-26 victory over Rice. Tate's final score — on a 72-yard run with 4:20 to play — clinched the decision. Rice, with nothing to lose and a season of misery to forget, shocked the Cougars with Marc Scott's one-yard touchdown dive and Dwayne Holmes's 43-yard interception return for a 14-13 halftime lead.

Texas A&M 37, Texas 12

In Austin, Texas, freshman Craig Stump threw two touchdown passes and Anthony Toney scored twice to propel Texas A&M to its 37-12 upset of Texas in the 91st renewal of the Southwest's oldest rivalry. The 37 points were the most ever scored by A&M in a series that began in 1894. The Aggies had no turnovers in the first half and punted only once in building a 20-0 lead as Stump led scoring drives of 60, 58, 49 and 78 yards.

Army 28, Navy 11

In Philadelphia, senior quarterback Nate Sassaman rushed for 154 yards and two touchdowns to give Army a 28-11 victory over Navy — the Cadets' first over the Midshipmen since 1977. Junior fullback Doug Black added 155 yards in 31 carries and a touchdown for Army, which finished 7-3-1 and will meet Michigan State in the inaugural Cherry Bowl. Black's fifth 100-yard effort of the year enabled him to set an Army season rushing record with 1,148 yards, topping the 1,110-yard mark posted by Charlie Jarvis in 1968.

Boston College 45, Holy Cross 10

In Worcester, Massachusetts, Heisman Trophy winner Doug Flutie of Boston College threw for 276 yards and three touchdowns in sparking a 45-10 rout of Holy Cross. In his regular-season finale, Flutie completed a 30-yard scoring pass to his brother, Darren, in the third quarter as the Eagles scored 28 points to win going away.

Embers of a Bonfire

By Dave Anderson
New York Times Service

NEW YORK — The New York Giants were to play the Jets Sunday at Giants Stadium, and season-ticket holders who recall the rivalry of 20 years ago appreciated the irony. Under the National Football League schedule formula, the Giants were the visiting team in their own home — the house that Sonny Werblin built for in the Meadowlands a decade after he built the Jets into the Super Bowl III champions.

In the last 20 years, the bonfire of bitterness in that Giants-Jets rivalry has dwindled to a gentle flame in a fireplace in a time-shared condo.

But financial embers still glow as a reminder of what it once was. Through 1986, the Jets, as one of nine American Football League clubs at the time of the 1966 merger agreement, will continue to contribute $100,000 annually toward the territorial indemnity provided for the Giants and the San Francisco 49ers.

Quietly, the Jets continue to pay that $100,000 ransom each year, as do those other eight former AFL clubs, including the Raiders, who no longer even live in Oakland across the bay from the 49ers. But that's what the rivalry meant at the time of the merger agreement when, it has now been learned, the transfer of the Jets out of New York was briefly discussed in order to appease the Giants.

By now, of course, the Jets have been integrated by NFL people from that era. Joe Walton, the Jet coach, was the Giant tight end and later an assistant coach; their president, Jim Kensil, once was the NFL's executive director.

Coincidentally, the merger agreement developed after Joe Namath's first season, but also shortly after the Giants had signed the original soccer-style place-kicker, Pete Gogolak, whose contract with the Buffalo Bills had expired.

"The NFL owners were having their summer meeting in Washington," recalls Don Weiss, now the NFL's executive director. "And when Wellington Mara told the other owners that he had signed Gogolak, they were shocked. I remember they immediately adjourned into an executive committee meeting — all of us except Pete Rozelle had to leave the room."

In retrospect, Mara's bold move to sign Gogolak helped create the merger he resented, the merger that embarrassed him when the Giants were routed, 37-14, by the Super Bowl champion Jets at Yale Bowl in a 1969 exhibition game.

After that game, Mara, usually a calm and controlled man in any situation, kicked a locker. Outside, Jet fans rejoiced. "You always want to beat the people who live on your block more than you do the people who live 10 blocks away," Mara says now. "But I've gotten over it. It just wore off." So has the rivalry.

United Press International

Greg Page connects with a stiff right against Gerrie Coetzee in Saturday night's title fight.

Page Dethrones Coetzee in 8th

Compiled by Our Staff From Dispatches

SUN CITY, South Africa — American Greg Page knocked out Gerrie Coetzee of South Africa in the eighth round of a controversial fight here Saturday night to win the World Boxing Association heavyweight title.

Earlier on the card, South African Piet Crous, a 29-year-old insurance claims manager, upset WBA junior heavyweight champion Ossie Ocasio of Puerto Rico.

In a furious battle, Coetzee and Page taunted each other, wrestled along the ropes and traded stunning blows. Page appeared narrowly ahead on points when the end came suddenly through a left-right combination that knocked Coetzee on his back. It took Coetzee's handlers and the ring doctor three minutes to revive him as Page danced around the ring.

"They told me I was through, they told me I was washed up," shouted Page, who earlier this year lost to Tim Witherspoon and David Bey in lackluster fights.

But there was confusion as to when the knockout occurred. Well before Page decked Coetzee, many at ringside were shouting at timekeeper Phil Swart that the three-minute round had ended. There were estimates that the round went as much as 44 seconds too long; Swart said later it lasted 3 minutes, 3 seconds, including the 10-count.

"Ah, it's tough," was Coetzee's only comment as he walked from the shambles of his first defense since he won the title by knocking out Michael Dokes on Sept. 23, 1983.

His manager, Hal Tucker, said he would advise Coetzee to appeal the decision to the WBA. "He was knocked down when he should have been resting in his corner," said Tucker. But Tucker conceded that Coetzee had said, after the bout, "on the night the better man won."

Page caught Coetzee, 29, with a left hook that sent him toward the ropes in the eighth. The American moved in with another left and a right that sent Coetzee sprawling. Coetzee was counted out by referee Issidro Rodriguez of Venezuela.

Page is 24-3 lifetime. Coetzee (29-3-1) became his 19th knockout victim.

Crous stalked Ocasio from the start and never seemed threatened by the champion's counterpunching as he won a unanimous decision over 15 rounds. Ocasio, 29, threw fewer and weaker punches than the challenger. He was hanging on at the end.

Referee Carlos Berrocal of Panama gave the fight to Crous, 147-143. Judge Stan Christodoulou of South Africa scored it 147-140 and judge Jesus Celis of Venezuela had it 144-143.

There were no knockdowns, but Ocasio had no answer to Crous's straight rights and pressing attack. Despite a cut over his left eye in the eighth, Crous repeatedly got inside Ocasio.

Crous had never faced an opponent as experienced and skilled as Ocasio, who made his fourth title defense. A measure of Crous's obscurity was that he reportedly earned $5,500 for the night; Ocasio's purse was $100,000.

■ **McCallum Keeps Crown**

Mike McCallum of Jamaica retained his World Boxing Association junior middleweight title Saturday night when Luigi Minchillo's corner threw in the towel just before the start of the 14th round, The Associated Press reported from Milan.

McCallum's 23rd straight victory came on his first title defense; he had won the crown Oct. 19 by outpointing Sean Mannion of Ireland. The title had been vacated by Roberto Duran of Panama.

McCallum was easily ahead on points as the Italian challenger absorbed punishment throughout. There were no knockdowns.

SCOREBOARD

Basketball

Selected U.S. College Results

FRIDAY
East

Tufts 78, Colby 77
WPI 79, Worcester St. 64

South

Alabama 65, Kent St. 64
Auburn 61, Alabama-Birmingham 59
Florida 66, Florida St. 62
Georgia Tech 96, Tennessee Tech 78
Vanderbilt 87, Yale 72

Southwest

N. Arizona 65, Jacksonville 64
New Mexico 57, Columbia 44
Southwest Texas 72, Prairie View A&M 69

Far West

Air Force 78, Idaho 67
Arizona 84, Tulsa 68
Nev.-Las Vegas 88 Colorado St. 78
Seattle 69, Pac. Lutheran 60
Wyoming 91, S. Dakota 74

SATURDAY
East

Cornell 61, Elmira 42
Dayton 68, Providence 55
Delaware 51, Princeton 48
Hartford 78, Merrimack 69
Hofstra 105, Va. Wesleyan 74
Manhattan 60, Lehigh 57
Maryland 56, W. Virginia 47
Middlebury 80, Amherst 71
Niagara 73, Colgate 57
Rhode Island 64, Maine 60
Robert Morris 66, Bucknell 63
Temple 69, Brooklyn 46
Tufts 97, Bowdoin 92
Villanova 66, Temple 65
Xavier 61, Pittsburgh 58

South

Duke 89, St. Joseph's 66
Furman 49, James Madison 48 (OT)
Georgetown 80, S. Connecticut 46
Houston 73, Campbell 61
Louisville 67, Va. Commonwealth 55
S. Carolina 79, Towson St. 60
SW Louisiana 52, Lamar 53
Southern 82, W. Texas St. 78
The Citadel 93, Georgia St. 72
Tulane 65, Bradley 56
VMI 74, Lynchburg 60
Virginia Tech 98, Charleston 87

Midwest

Butler 72, DePauw 51
C. Michigan 71, W. Michigan 70
Cincinnati 86, N. Kentucky 82
DePaul 80, UCLA 61
Illinois St. 54, Southwest Mo. 44
Indiana 74, Ohio 53
Kansas St. 72, S. Colorado 59
Marquette 74, U.S. Int'l 57
Miami (Ohio) 82, Marietta 63
Michigan 63, Georgia 57
Michigan St. 74, Army 64
Minnesota 85, Montana St. 71
Minn-Duluth 60, Michigan Tech 56
Nebraska 104, S. Dakota 69
Notre Dame 85, St. Francis (Pa.) 45
Ohio St. 85, Arkansas 84
Pepperdine 85, Wichita St. 81
Purdue 66, Kentucky 56
Toledo 79, Arizona St. 66
Ill.-Chicago 74, Pennsylvania 71
Washington 72, John Hopkins 64
Wisconsin 61, Washington St. 59

Southwest

Louisiana St. 74, Oral Roberts 71
N. Arizona 64, New Mexico 56
Pan-American 60, N. Texas St. 50
SMU 89, NW Louisiana
Southern 82, W. Texas St. 78
Texas Christian 71, John Brown 57
Texas Tech 71, Texas-San Antonio 49

Far West

Arizona 79, San Jose St. 64
Boise St. 56, Eastern Wash. 49
Colorado 89 Utah 80
Montana 80, Air Force 55
Oregon St. 54, Missouri 52
Santa Clara 91, San Fran. St. 59
Weber St. 77, Utah St. 70
Wyoming 92, Seattle-Pacific 74

TOURNAMENTS

Crevaller Invitational
First Round

Virginia 78, Loyola-Md. 60
Richmond 68, Tampa 57

Championship

Virginia 57, Richmond 52

Chattanooga Classic
First Round

Middle Tennessee State 80, Tennessee State 60
Tenn.-Chattanooga 64, Austin Peay 54

Championship

Tenn.-Chattanooga 71, Middle Tenn. 69

Holy Cross Invitational
First Round

Brown 81, Holy Cross 68
Seton Hall 69, Rice 66

Championship

Seton Hall 73, Brown 66 (OT)

IPTAY Invitational
First Round

Clemson 96, Campbell 55
South Alabama 86, Houston 70

Championship

Clemson 79, South Alabama 69

Joe Lapchick Memorial
First Round

St. John's 93, Lafayette 47
St. Bonaventure 72, St. Francis 59

Championship

St. John's 98, St. Bonaventure 57

Mid-South Classic
First Round

USC 73, Southern Mississippi 72
Memphis St. 78, Vs. Arkansas 72

Championship

Memphis St. 61, USC 45

Spartan Classic
First Round

Michigan State 77, Western Michigan 60
Army 87, Central Michigan 75

Championship

Michigan St. 76, Army 64

Stanford Invitational
First Round

Stanford 66, Pacific 53
LaSalle 74, Brigham Young 73

Championship

Stanford 83, LaSalle 74

Tribune Classic
First Round

Northern Arizona 65, Jacksonville 64
New Mexico 57, Columbia 44

Championship

Northern Arizona 64, New Mexico 56

NBA Standings

EASTERN CONFERENCE

Atlantic Division

	W	L	Pct.	GB
Boston	14	1	.933	—
Philadelphia	12	4	.750	2½
Washington	12	7	.632	4
New Jersey	8	8	.500	6½
New York	8	12	.400	8½
Central Division				
Milwaukee	11	8	.579	—
Chicago	9	9	.500	1½
Detroit	9	9	.500	1½
Atlanta	7	10	.412	3
Indiana	5	14	.263	6
Cleveland	2	14	.125	7½

WESTERN CONFERENCE

Midwest Division

	W	L	Pct.	GB
Denver	13	3	.813	—
Houston	12	6	.667	2
Dallas	9	9	.500	5
Utah	9	10	.474	5½
San Antonio	8	9	.471	5½
Kansas City	3	13	.188	10
Pacific Division				
L.A. Lakers	12	6	.667	—
Phoenix	11	8	.579	1½
Portland	11	8	.579	1½
Seattle	7	11	.389	5
Golden State	6	12	.333	6
L.A. Clippers	6	13	.316	6½

FRIDAY'S RESULTS

Indiana	32	21	25	22—100
New Jersey	33	33	21	36—123

B.Williams 9-11 5-7 23, Birdsong 6-14 5-11 17, King 7-12 3-4 17; H.Williams 9-15 1-2 19, Stipanovich 6-12 6-6 18. Rebounds: Indiana 50 (Kellogg 10); New Jersey 53 (B.Williams 9). Assists: Indiana 15 (Kellogg, Stipanovich 3); New Jersey 24 (Ransey 6).

Washington	27	29	27	31—114
Detroit	27	26	27	26—106

Hockey

NHL Standings

WALES CONFERENCE

Patrick Division

	W	L	T	Pts	GF	GA
Philadelphia	15	4	4	34	103	59
N.Y. Islanders	14	8	1	29	118	97
Washington	10	8	5	25	86	77
N.Y. Rangers	9	11	2	20	83	94
New Jersey	7	12	2	16	71	92
Pittsburgh	6	13	3	15	76	99
Adams Division						
Montreal	14	5	4	32	87	69
Quebec	12	11	1	25	94	94
Boston	11	11	1	23	85	76
Buffalo	9	11	4	22	89	84
Hartford	8	12	3	19	74	99

CAMPBELL CONFERENCE

Norris Division

	W	L	T	Pts	GF	GA
Chicago	12	11	2	26	102	93
St. Louis	12	9	1	25	91	81
Minnesota	8	11	5	21	88	101
Detroit	6	14	3	15	86	109
Toronto	4	16	4	12	72	114
Smythe Division						
Edmonton	18	3	3	39	126	71
Calgary	15	8	1	31	121	89
Los Angeles	12	9	3	27	108	90
Winnipeg	11	9	2	24	92	84
Vancouver	4	20	2	10	79	159

FRIDAY'S RESULTS

St. Louis	2	2	1—5
Detroit	2	0	1—3

Wickenheiser 2 (9), LaVallee (7), Federko (7), Sutter (12); Duguay (12), Manno (3), Park (4).

Transition

FOOTBALL
National Football League

CLEVELAND—Reactivated Mike Pruitt, running back. Placed Charles White, running back, on the injured reserve list.

N.Y. JETS—Waived Skip Lane, defensive back. Reactivated Kurt Sohn, wide receiver.

PITTSBURGH—Reactivated Bennie Cunningham, tight end. Placed John Rodgers, tight end, on injured reserve.

SEATTLE—Activated Pete Metzelaars, tight end. Placed Charles Butler, linebacker, on injured reserve.

TAMPA BAY—Activated Hugh Green, linebacker.

COLLEGE

ABILENE CHRISTIAN—Named John Payne head football coach.

KENTUCKY—DismissedTony Mayes, defensive back, and Brian Williams, defensive end, from the football team for disciplinary reasons.

LOUISVILLE—Named Howard Schnellenberger head football coach.

MARYLAND—Reached a contract agreement with Bobby Ross, head football coach.

UTAH—Named Jim Fassel head football coach.

Tennis

Australian Open

MEN'S SINGLES
Third Round

Mats Wilander (2), Sweden, def. Dale Houston, Australia, 6-3, 2-6, 7-6, 6-1.

Stefan Simonsson, Sweden, def. Robert Seguso, U.S., 1-6, 6-2, 2-6, 7-5, 6-3.

Stefan Edberg (8), Sweden, def. Tim Gullikson, U.S., 6-1, 6-2, 7-5.

Pat Cash (5), Australia, def. Jakob Hlasek, Switzerland, 5-7, 6-3, 6-3, 5-7, 7-5.

Johan Kriek (4), U.S., def. Bruce Derlin, New Zealand, 7-6, 7-6, 6-7, 6-4.

John Frawley, Australia, def. Mike Bauer, U.S., 6-3, 6-4, 6-3.

John Sadri, U.S., def. Tom Gullikson, U.S., 4-6, 3-6, 7-6, 6-2, 6-4.

Kevin Curren, South Africa, def. Eddie Edwards, South Africa, 6-3, 4-6, 7-5, 7-6.

Brad Gilbert, U.S., def. Andreas Maurer, West Germany, 3-6, 7-6, 7-6, 7-5.

Guy Forget, France, def. Matt Doyle, U.S., 6-3, 7-5, 6-4.

Boris Becker, West Germany, def. Hank Pfister, U.S., 7-5, 6-2, 6-2.

Scott Davis, U.S., def. Francisco Gonzalez, Paraguay, 6-4, 6-4, 6-4.

Joakim Nystrom, Sweden, def. Dan Cassidy, U.S., 7-6, 6-4, 6-3.

Ben Testerman, U.S., def. Matt Mitchell, U.S., 6-7, 6-2, 6-3, 4-6, 6-2.

WOMEN'S SINGLES
Third Round

Sharon Walsh, U.S., def. Marcella Mesker, Netherlands, 6-7, 7-5, 8-6.

Wendy Turnbull (4), Australia, def. Steffi Graf (16), West Germany, 6-4, 6-4.

Sophie Amiach, France, def. Christiane Jolissaint, Switzerland, 6-0, 6-2.

Helena Sukova (9), Czechoslovakia, def. Claudia Kohde-Kilsch (5), West Germany, 3-6, 6-3, 6-2.

Chris Evert-Lloyd, U.S., def. Pascale Paradis, France, 6-1, 6-7, 6-2.

Pam Shriver, U.S., def. Elizabeth Minter, Australia, 6-2, 6-2.

Martina Navratilova, U.S., def. Kathy Rinaldi, U.S., 4-6, 6-8, 6-1.

Football

U.S. College Results

EAST

Army 28, Navy 11
Boston College 45, Holy Cross 10
Rhode Island 23, Richmond 17

SOUTH

Alabama 17, Auburn 15
Florida 27, Florida St. 17
Georgia Tech 35, Georgia 18
Louisiana Tech 44, Alcorn St. 21
Tennessee 29, Vanderbilt 13

SOUTHWEST

Houston 38, Rice 26
Texas A&M 37, Texas 12

FAR WEST

Iowa 17, Hawaii 6
Montana St. 31, Arkansas St. 14
Southern Meth. 38, Nev.-Las Vegas 21

European Soccer

ENGLISH FIRST DIVISION

Arsenal 3, Luton 1
Aston Villa 1, Sunderland 0
Chelsea 3, Liverpool 1
Coventry 1, Tottenham 1
Everton 1, Sheffield Wednesday 1
Ipswich 0, Southampton 1
Leicester 4, Queen's Park Rangers 0
Manchester United 2, Norwich 0
Newcastle 2, Stoke 1
Watford 2, Nottingham Forest 0
West Ham 0, West Bromwich 2

Points Standings: Everton 33; Manchester United, Arsenal 32; Tottenham Hotspur 30; Southampton 28; Chelsea, Sheffield Wednesday, West Ham 26; West Bromwich 25; Liverpool, Nottingham Forest, Newcastle 24; Sunderland, Norwich 23; Watford 21; Aston Villa 20; Leicester City, Queens Park Rangers 18; Ipswich, Coventry 16; Luton 14; Stoke 7.

WEST GERMAN FIRST DIVISION

Bayer Leverkusen 0, VFB Stuttgart 2
VFL Bochum 0, Waldhof Mannheim 1
Borussia M'gladbach 0, Fort. Duesseldorf 2
Hamburg 2, Eintracht Frankfurt 0
Arminia Bielefeld 3, Werder Bremen 4
Eintracht Brunswick 0, Bayer Uerdingen 0
Karlsruhe 1, Cologne 4
Borussia Dortmund 4, Schalke 1
Kaiserslautern 0, Bayern Munich 1

Points Standings: Bayern Munich 23; Werder Bremen 21; Bayer Uerdingen, Hamburg 19; Borussia Monchengladbach 18; Bochum, Kaiserslautern 17; Cologne, Eintracht Frankfurt 16; VFB Stuttgart 15; Bayer Leverkusen, Fortuna Duesseldorf 14; Waldhof Mannheim, Schalke 13; Karlsruhe 12; Borussia Dortmund 11; Arminia Bielefeld, Eintract Brunswick 10.

FRENCH FIRST DIVISION

Rouen 1, Metz 0
R.C. Paris 1, Auxerre 3
Laval 2, Bastia 1
Monaco 3, Bordeaux 0
Toulouse 0, Paris S.G. 1
Lille 1, Nantes 1

Points Standings: Nantes 31; Bordeaux 29; Auxerre 24; Paris S.G. 22; Toulon, Metz 21; Bastia 20; Monaco, Lens, Brest, Laval 19; Sochaux 16; Lille, Toulouse, Nancy 15; Tours, Rouen, Marseille 14; Strasbourg 13; R.C. Paris 12.

ITALIAN FIRST DIVISION

Avellino 1, Torino 3
Como 0, Atalanta 0
Cremonese 1, Fiorentina 1
Inter 2, Napoli 1
Juventus 2, Ascoli 2
Roma 2, Udinese 1
Sampdoria 2, Lazio 2
Verona 0, Milan 0

Points Standings: Verona 18; Torino 16; Inter, Sampdoria 15; Roma, Milan 12; Fiorentina, Juventus, Atalanta 11; Avellino, Como 10; Napoli, Lazio 9; Udinese 7; Ascoli 6; Cremonese 4.

World Cup Skiing

WOMEN'S SLALOM
(At Courmayeur, Italy)

1. Perrine Pelen, France, 48.25-45.93—1 minute, 34.18 seconds.
2. Maria Epple, West Germany, 47.91-46.64—1:34.55.
3. Paoletta Magoni, Italy, 48.46-46.33—1:34.79.
4. Tamara McKinney, U.S., 48.23-47.10—1:35.33.
5. Erika Hess, Switzerland, 48.57-46.83—1:35.40.
6. Maria Rosa Quario, Italy, 48.71-47.75—1:36.46.
7. Annie Kronbichler, Austria, 48.76-47.79—1:36.55.
8. Daniela Zini, Italy, 48.89-47.79—1:36.68.
9. Mateja Svet, Yugoslavia, 49.45-47.32—1:36.77.
10. Malgorzata Tlalka, Poland, 49.58-47.39—1:36.97.

MEN'S SLALOM
(At Sestriere, Italy)

1. Marc Girardelli, Luxembourg, 52.45-54.15—1:46.60
2. Jonas Nilsson, Sweden, 53.49-55.63—1:49.12
3. Paolo de Chiesa, Italy, 53.97-55.36—1:49.33
4. Klaus Heidegger, Austria, 53.93-55.47—1:49.40
5. Martin Hangl, Switzerland, 55.06-55.09—1:50.15
6. Robert Erlacher, Italy, 54.95-55.29—1:50.24
7. Ivano Edalini, Italy, 55.03-55.39—1:50.42
8. Florian Beck, West Germany, 54.76-55.96—1:50.72
9. Daniel Mougel, France, 55.34-55.50—1:50.84
10. Roberto Grigis, Italy, 54.28-56.59—1:50.87

LANGUAGE

New Umbrella Unfolds

By William Safire

WASHINGTON — The umbrella, that symbol of appeasement of two generations ago, has been jerked out of its stand and metaphorically applied to a different diplomatic maneuver.

"We need to extend the arms-control process," President Ronald Reagan told the United Nations on Sept. 24, "to build a bigger umbrella under which it can operate; a road map, if you will, showing where during the next 20 years or so these individual efforts can lead."

The *road map* metaphor never got unfolded, but the *umbrella* did. After the election, a White House aide listed six areas, from weapons in space to conventional weapons in Europe, that could be discussed under what he termed *umbrella talks*.

Umbrella, taken from the Latin *umbra*, "shade," was snapped up into English in the 17th century as a noun for "the thing that turns inside out in the wind and leaves you soaking on a rainy day," to use the technical definition. It has been called a *brelly*, *brolly*, *roundtop*, *shower stick*, *blub-blub* and *bumbershoot*.

In this century, the word has been used to evoke "protection" in many ways: during World War II, the commando raid on Dieppe was covered by an air armada called an *umbrella*. In 1950, when the New York Giants under coach Steve Owen introduced a pass defense of a six-man line with one linebacker and four defensive backs fanned out behind the line, this was dubbed the *umbrella defense*. More recently, the word has added a meaning of "embracing a broad range of factors," and Merriam-Webster's Ninth New Collegiate quotes Diane Ravitch's phrase "building new colleges under a federation umbrella."

That brings us to Reagan's usage in what his State Department speech drafters thought would become known as his "famous *road map* speech." The previous description of items combined into a comprehensive proposal was *package*: Defense Secretary Charles Wilson startled an Eisenhower Cabinet meeting by putting Korean negotiations together with recognition of Red China and asking, "Is there any possibility of a package deal?"

Fearlessly, Reagan took up the symbol that British Prime Minister Neville Chamberlain made famous in his return from the Munich Conference in 1938 announcing after dismembering Czechoslovakia that he had brought "peace for our time." (Not "peace *in* our time," as often misquoted; the second phrase comes from the Anglican Morning Prayer.)

NO SOONER had Soviet Ambassador Antoly Dobrynin expressed mock puzzlement over our mysterious "umbrella proposals" than a White House spokesman piped up with this statement: "The entire idea has not been fleshed out to the Soviets."

The origin is in the idea of embodiment — specifically, clothing a skeleton in flesh. The first use of *flesh out* spotted by the Oxford English Dictionary cite-seers was in an 1886 novel: "A dainty bit of . . . word-painting, fleshed out and rendered thinkable." However, the OED has a use without the *out* that shows that the meaning goes back at least to 1661 and may have been popularized in this sense by sculptors: A verbal illustration in Merriam-Webster's Third New Unabridged is, "The modeler builds up his figure by fleshing a wire frame with clay."

A snag in the fleshing-out, however, came with objections from Moscow about the translation of a word in a cultural agreement. The dispute is about defectors: The Russians want the U. S. to guarantee "security" — which, to Soviet authorities, means that ballet dancers who are sent here to dance do not dance off. The U. S. won't give any such guarantee, which would undermine the right of political asylum. The only thing it will guarantee is their safety.

The Russian word for *safety* is *bezopasnost*, which, as Bernard Gwertzman of The New York Times pointed out, is the same as the Russian word for *security*. The United States will go along with *bezopasnost* as long as the English translation says *safety*; the Russians, who take the position that all defectors are seduced or kidnapped, shake their heads. Presumably, the solution to this will come under the fleshed-out umbrella.

New York Times Service

The Comeback of Dean Stockwell

By Dorene Internicola
Reuters

NEW YORK — He was "Kim," "The Boy With the Green Hair," and that kid who sang with Frank Sinatra in "Anchors Away."

But when he grew up, Dean Stockwell's career flickered briefly, dimmed and finally seemed to disappear.

Now, at 48, Stockwell is making a comeback in two films, the $45-million science fiction blockbuster "Dune" and Wim Wenders's "Paris, Texas."

"If you haven't seen me around lately, it's because I've been waiting for something like this — for a long time," he said.

His return began two years ago, he said, when he kissed Hollywood goodbye and moved to Sante Fe, New Mexico. "I moved there shortly after I married. I decided: I have a family. To hell with Hollywood. I wanted a beautiful place.

"When I left I wasn't sure I'd ever work again, so I got a real estate license. I haven't used it.

"I decided to change my life. I was wasting away there. I literally cleaned up. I never did a lot of drugs, but I stopped that entirely. And the family, it's a whole different life," said Stockwell, dressed in cowboy boots and western-style string tie and puffing a thin cigar.

Dean Stockwell (right), with Jurgen Prochnow in scene from "Dune."

As a juvenile actor, Stockwell starred in such landmark films as the 1948 anti-war movie "The Boy With the Green Hair" and "Gentleman's Agreement," a 1947 film about anti-Semitism. His last child role was in the 1950 film "Kim" with Errol Flynn, remembered as "a great guy — didn't patronize me."

His career surged briefly when he was in his 20s, and he played angry young men in the James Dean mode in "Compulsion," "Sons and Lovers" and "A Long Day's Journey Into Night," with Katharine Hepburn and Ralph Richardson.

But then things slowed down. "I did some obscure films and mediocre TV stuff," he said, complaining bitterly that despite his 40 years' experience he was obliged to audition for television parts he described as "just standing on your head."

"I just wasn't lucky enough. It wasn't in the cards."

But then came his marriage and his move to New Mexico. "Dune" and "Paris, Texas" — both filmed practically in his own backyard — followed shortly.

"Dune," based on the 1965 novel by Frank Herbert, was shot in Mexico. Stockwell plays Dr. Yueh, whom he describes as "a sort of traitor who rats on the good guys."

"There's a lot of acting in 'Dune,'" he said. "It's not just a special-effects movie, although it has the greatest sets I've ever seen." He explained that enormous sand worms are an integral part of "Dune."

"They did some big mockups of these worms for the actors to get close to. You know, I did both 'Dune' and 'Paris, Texas' in the same year. One worm in "Dune" cost more than the entire budget of 'Paris, Texas.'"

Stockwell considers his work in "Paris, Texas," his best so far. The film won prizes in Europe but opened in the United States to mixed reviews although Stockwell's performance was hailed as worthy of an Oscar for best supporting actor. He plays Walt, who patiently guides his long-lost brother, played by Harry Dean Stanton, *out of his isolation and* reunites him with his family.

"There's something magical about that film," he said. "There's no sex in it, no violence, but a lot of people are emotionally bombed by it."

"It was wonderful working with Harry," he said of Stanton, who is considered an actor's actor. But acting since the age of 6, Stockwell bristles at the suggestion that he might have picked up a few pointers from his co-star.

"Well, I've been doing this too long. He didn't show me any tricks I didn't know. He may have a few up his sleeve, but I've got my own. I don't want to know them."

The intense, low-voiced Stockwell brightens when he speaks of his wife, Joy, and his 11-month-old son, Austin Wallace.

"I'm just so happy to be working. It sure beats waiting by the phone." Stockwell is returning to Santa Fe for another film. More projects are lined up. "I truly feel my best work is still ahead of me," he said.

"I'm available for "Paris, Texas II" and "Paris, Texas III.' But I can't come back in another 'Dune' movie. I die. But then, so does almost everyone else."

"Dune" opens Dec. 14 in the United States.

CHINA POSTCARD

The First Waltz in Beihai

By Iain Guest
International Herald Tribune

BEIHAI, China — When Zhang Fa Quiang, the deputy mayor of Beihai, stepped out to take the first dance with a foreign visitor, everyone knew that life here would never be the same again.

Dancing and foreigners are a novelty in this town of 160,000 people on the Gulf of Tonkin. Beihai closed its doors on the outside world after the French abandoned a consulate here in 1949. Dancing was banned under the Cultural Revolution and strongly discouraged under a campaign against "spiritual pollution."

On May 1, Beihai became one of 14 "open" cities along the coast that have been given a large measure of freedom to attract foreign investment. Already foreign oil companies have sunk seven exploratory wells off Beihai.

Dancing resumed only two months ago. In a country where every gesture by a public official is carefully watched, Zhang Fa Quiang's quick turn around the floor — with a foreigner — simply makes it official.

Beihai is close to the frontier with Vietnam, but to people in the streets the quarrel with Vietnam seems a thousand miles away. Their concerns are largely domestic. At present, they center on Beihai's future as an open city and the Oct. 20 decision by the Central Committee in Beijing to lift price controls and production quotas from great swatches of Chinese industry.

For the moment, however, the doubts are put aside, and it's time to dance. Admission costs 80 cents, which brings unsweetened tea, a refreshing hot towel and music by an amateur ensemble from the Beihai harbor administration.

As many as 400 locals crowd into the hall. They watch openmouthed as the foreigners, a group of visiting journalists, plus officials from Beijing, ham their way around the floor, joints loosened by a welcoming banquet that included duck feet, 100-year-old eggs, sea worms and lashings of *mao tai* — the clear Chinese liqueur that goes down like razor blades.

Many of the older couples studiously ignore the invasion. But Wu Huying, 23, wearing an elegant red-and-white pantsuit, was brave enough to accept an invitation to dance. Later, Shi Mingsham, from the news agency Xinhua — one of the visiting party — approached her for an interview.

"So many foreign friends danced with you. Weren't you afraid?" he asked. "No," she replied. "Why should I be?"

One reason might be the ungainliness of the foreign friends. Wu Huying, who works in a local pharmaceutical factory, danced beautifully, and one of her graceful routines seemed totally new to the Western visitors. Presumably it's traditionally Chinese — like 100-year-old eggs, or the Great Wall?

Actually, explained Hu Wuying, it's something called a "waltz." One local government official added that he learned it in the mid-1950s from Russian military advisers who used to hold dances in Beijing every week.

By Western standards, the dance was sedate. There were more young men than women and no alcohol. The part-time art troupe played mostly Chinese songs, including a lilting ballad "I Give You a Rose" and a Taiwanese song called "Hu Bay."

There was one interlude during which a young man a take-off of Mick Jagger, to loud applause, and Shi Mingsham asked about break-dancing in New York.

But the foreign presence led to mounting confusion, culminating in a ragged reel, which moved around the hall, drawing in giggling bystanders. After it was over, the band politely applauded itself, and the visiting officials from Beijing wiped the sweat from their brows.

"I haven't done that for 25 years," one said.

Hu Wuying looked radiant. She had handled the ordeal with tact and discretion, despite all the foreign friends that had been stepping on her toes all evening.

Humorists to Meet in India

The Associated Press

NEW DELHI — A humorists' conference will be held in India Feb. 8-12. The conference was scheduled for November but postponed because of the assassination of Prime Minister Indira Gandhi. Countries that have confirmed participation are the United States, Britain, the Soviet Union, China, Japan, Malaysia, Bangladesh and Pakistan.